

MY PERCEPTION OF LEADERSHIP

I would like to thank IESE Business School, especially Professors Santiago Alvarez De Mon and Rama Velamuri for inviting me to this CEO Forum. All along, I have been wondering why I have been invited all the way from India to share, with seasoned people like you, *My perception of Leadership*. As you will see through my narration, I came into industry quite accidentally without the benefit of a sustained training in management theory or concepts. Today, I will not be talking about theory and concepts. This talk is based on my personal experience. So, let me begin by giving you some background about my life.

My father owned a small business of manufacturing sterilizers and hospital equipment. As I grew up, my two older brothers were given overt and not so overt messages that they would be expected to join it. As it happens in many societies, sons are supposed to be in charge of things. Though I was good at studies and in fact, academically did better than my brothers, I was never groomed nor invested in to join the family business. Since I had good people skills, it was suggested that I go for a post graduate programme in social work. This I did.

My late husband, Rohinton joined my father as a senior executive. By then, one of my brothers had moved to the U.S. and the other one ran the old family business. My father and my husband began a new venture of making boilers, which eventually became the energy environment company I represent -Thermax Limited. It grew as a family concern, and after my father retired, Rohinton became its Chairman & Managing Director. He was a charismatic leader who created an enviable work culture and in spite of our small size, was able to build the company into a strong brand.

In 1982, Rohinton had a massive heart attack and underwent a bypass surgery. As we were a private limited company and vulnerable, friends and well wishers suggested I take interest in the business. Since my two children were young, it was decided that I would join the organisation in the human resource division. I worked in this field under a dynamic head and when he decided to retire, he suggested my name as head of the division.

Today it is imperative for HR to understand and align itself to the company's business strategy. But in those days, at least in India, HR focused on softer issues like training, development and creating an environment where employees felt they had a sense of belonging. I personally did not take the initiative to learn about our business.

In 1995, we went public and in a depressed market, our stock was over-subscribed seven times. A year later, Rohinton died suddenly and the Board appointed me as Executive Chairperson. I have narrated these details to show you that I became the CEO by default. I kept telling myself that I had been selected because the family owned 62%, and was troubled by feelings of self-doubt and inadequacy.

There were two other reasons that undermined my sense of well-being. A year after I took over, there was a downturn in the Indian economy and from being a very successful company, our performance started deteriorating. Our share price which had gone over Rs. 400/- (around 10 dollars) plunged to Rs. 37/- (less than a dollar). The second reason was that a little over a year after my husband's death, my twenty-five years old son died in a car accident. It was a difficult time, but as I struggled with the turmoil, I realized I had a choice - either to feel helpless and wallow in self-pity, allowing my sense of inadequacy to grow, or to hold my self together and take charge of my life.

In retrospect, I can see that a CEO becomes a leader when she is able to lead her own life with a sense of well being before she attempts to lead others. Life will keep on presenting hurdles and challenges, it is an important attribute of the leader to face the world with equanimity. One needs to find one's own centre - a calm and still zone within.

A Buddhist meditation discipline called Vipassana helped me to discover my inner strength and centeredness. It is a ten-day residential programme where you are not allowed to distract yourself by reading, talking or writing. Through these ten days, one has to focus on one's breath and become intensely aware of one's being. As I practiced this daily, and I still do, I was able to be in touch with my own inner self and from which I gained comfort and strength. It taught me that unless we tap the personal power which is within each of us, we cannot lead from positional power - the power that comes from our office and title. With centeredness, we begin to appreciate the uniqueness of our own being and through that process learn to respect the individuality of every person. Once we practice this, we don't see people as faceless categories - employees, shareholders and so on.

Getting tuned to our inner stillness is not some esoteric exercise meant only for yogis or mystics. Eckart Tolle in his book "Stillness Speaks" says, "When you lose touch with inner stillness, you lose touch with yourself. When you lose touch with yourself, you lose yourself in the world."

To emerge as a leader you have to invest in yourself. Reading or attending programmes or gathering intellectual information can add to your knowledge and skills but not to your wisdom. I strongly believe skills can be hired but wisdom has to be a key attribute of a leader. In a lighter vein, it has been

said that intellect tells you that a tomato is a fruit; wisdom tells you not to use it in fruit-salad.

Globalization has created tremendous opportunities to exchange technology, to create communication networks and to shrink the geographical boundaries of each country. It has also unleashed fierce competition. A globalized world requires a new concept of leadership that understands and values different cultures and nurtures interdependence and encourages shared leadership. Most organizations have been hierarchical with a strong central leader managing through a distinct chain of command. This worked in the past, but today's world of varied and rapid changes demands that leaders allow situational leadership to emerge to meet the varied and rapid changes. We can be fairly certain that this is going to be the norm for the future too. It sounds simple to say that one should allow colleagues to emerge as leaders, but it is difficult to practice it unless a leader is centered and is aware of her ego need to be in total charge.

While you allow others to be in charge, you do not abdicate your accountability and responsibility to the organisation. As I mentioned earlier, the performance of our company, Thermax was rapidly slipping and from being a very profitable company, we ended up with operational losses. As the head, I took responsibility to turn around the company and thought of taking help from a consulting company. On this issue of seeking external help, there was resistance from our senior managers. They argued that our performance was affected by the downturn in the environment and that as soon as the economic situation improved, we would be on the path to success. They also felt that at a time when our profits were low it would not be prudent to give hefty fees to a consulting firm.

Not exposed to the outside business world, for a while, I bought their reasoning. But soon, I was began to see how others were doing things differently. The Confederation of Indian Industry, the apex industrial forum, invited me to be on its National Committee. I interacted with many CEOs and realised that even when the going was tough, a few companies were able to do very well. I decided to hire the consulting company and had to make many tough and uncomfortable decisions. I also took a timely decision: conscious of my lack of business acumen, in July 1999, I decided to be a non-executive chairperson and handed over charge to our Managing Director

Over the years we had moved into many activities unrelated to our core businesses such as software, electronics that added to our top line but eroded our profits. In our attempt to come up for air, we divested all those non-core businesses and we streamlined operations in these areas where we decided to focus. As we went ahead with this exercise, we had to ask many employees to leave. Rohinton, my husband, and I had looked upon business as a way to generate employment. So, asking people to leave was one of the most difficult decisions we had to make. I re-constituted the Board. The earlier one had nine executive directors. While we are successful, it was okay to reward an executive by inviting him to join the board but when the company's performance was down, it became difficult for the executive director to objectively review his own performance. The new Board now has five Independent directors, three family members and our Managing Director. We brought in a rigorous performance culture by introducing variable pay. Innovation and customer focus, traditionally strong in Thermax, but which had taken a back seat during our difficult days, were given their due importance. Thanks to the hard and dedicated work of our senior team who stayed with me through all those tough years, we turned around. Our company's turnover when I took over in 1996 had been \$ 108 million dollars with a profit of 9.7 million dollars. In 2000-01, following the

downturn, the turnover declined to 104 million and we posted a loss of 2.8 million dollars. In the five years that followed, after we turned around and in 2006-07, we had a turnover of 472 million dollars and a record profit of 41 million dollars.

The lesson I learnt from all this is that a leader has to know when the organisation is out of its depth and needs help; and that she herself need not feel small or ashamed to ask for help. I also realised that at the top it could be lonely and demanding. A leader has to balance the contradiction of being caring and yet not seek popularity by shunning unpopular, tough decisions.

In a globalised world, attracting and retaining talent will be one of the most challenging issues. Apart from being paid well, the younger generation would expect that there is room for them to make a difference. It is all about creating a stimulating and vibrant environment where employees participate with enthusiasm and feel the glow of fulfillment when they know something meaningful has been achieved at the end of a working day. Can we business leaders create an intreprenurial culture that gives employees this sense of fulfillment, where without necessarily owning shares they experience a strong sense of belonging and have a sense of purpose.

Most of you must be familiar with the story about two masons who were asked what they were doing. One said he was laying bricks, while the other replied that he was helping build a cathedral. As we know, purpose stems from how we define work. Employees in our company can think they are selling products like boilers, chillers or pollution equipment or they can look upon it as being in a field which addresses the issues of global warming. If they are connected to a larger vision, they will be diligent in making products that are more and more efficient and consume less and less fuel.

Thermax is an engineering company and yet my father, my husband nor I were engineers. It grew because there was ample opportunity for individuals to come up with an idea and make it a success. Entrepreneurial culture also means having tolerance for failures. I remember several of our own initiatives failed. At the time when performance deteriorated, our tolerance for mistakes went down but we are once again re-creating our innovative and entrepreneurial spirit. Without tolerance for genuine mistakes, a leader cannot lead a vibrant organisation.

Vibrancy and social justice can go together if we consciously aim for improving the diversity levels at our workplaces. A recent survey by the Confederation of Indian Industry (CII) revealed that in 150 companies studied, women constitute only 6 % of the workforce. In my country, where different levels of development and lifestyles co-exist uneasily, there are cultural biases against women which adversely affect their health, literacy, health and employment. But let us not forget that such neglect and discrimination is happening within enlightened business organizations. The situation is not so rosy even in societies where women have won the battle for equal rights. A study of women executives in Fortune 500 companies conducted by Catalyst, a U.S-based non-profit research body showed that over the past decade, most U.S companies had made hardly any progress in advancing women, especially women of colour, to leadership and top-paying positions. It concluded that at this rate, it could take 40 years for women to achieve parity with men in corporate officer positions. Another study showed that of Europe's top 200 companies, women occupy only 8% of corporate boardroom seats; 38% have no women on their board.

The president of the organization that conducted the study summed up the need for radical change. Let me quote her, "Women have the education,

expertise, experience, and ambition to advance to these top positions in much greater numbers. However, this census reveals that some companies have yet to understand the compelling business case for diversity and women's advancement or to take meaningful steps to develop and retain women leaders."

People who come from societies of cultural diversity would know, besides women, there are other groups neglected and marginalised. As influential individuals can we consciously begin to reach out to those sections, help in the process of empowering them? If we do this, It is a win- win for all us

As I have said earlier, one of the consequences of globalization is ruthless competition. In order to survive, employees are expected to devote a disproportionate part of their lives for their organisations. Individual leaders may not be able to address this issue but at a collective level, before it is too late, we need to debate and re-define the purpose of business. Is the "business of business, only business" which means mere financial success or is human well-being the real purpose of business? I am convinced that human wellbeing should be at the top of our agenda. If that is the case, if human well being is to be centre stage, we will need to question many practices that we have so far taken for granted. Does success at work carry along with it a huge price tag whereby you end up in life as a failure, incapable of meaningful relationships with your loved ones? Can we business leaders take on the wider responsibility of helping our employees achieve a greater sense of balance and well being?

In these times of uncertainty and constant change, there is one thing that needs to remain constant and that is our set of values. A strong ethical sense helps us to anchor ourselves. In societies where corruption is rampant, the leader through her personal example has to show the way. I cannot be

prescriptive about values but each leader will have to decide where to draw the line.

Besides adhering to values, an organisation has to be financially successful. If an organisation is hundred percent value based but not viable, the message is that it can either make profit or adhere to values. The real challenge is to serve the customer and make profits while being true to one's sense of ethical fairness and values.

As the CEO, you are responsible for the financials of your organization. However, as a leader, you are not only responsible for the viability and success of your own organisation but you need to stand for a wider world - the community and the society at large. We also need to be responsive and responsible stewards of life on earth. We owe it to our future generation and cannot selfishly deplete the limited resources that this earth has to offer. Perhaps, as never before in the past, business leaders have a direct role to play when it comes to wider concerns such as global warming and climate change, the extinction of species and cultures, the emergence of drug-resistant diseases.

The disastrous consequences of the world's climate change offers just such an opportunity to link business with the well being and security of nations and future generations. Unless we step out of the paradigms of limitless growth based on unchecked exploitation of hydrocarbon fuels and curb our wasteful energy use patterns, we would soon be crossing the point of no return. Already low lying countries like Bangladesh are facing difficulties as ocean levels rise and around the world there has been wide variations in weather conditions. Can we as business leaders contribute in our individual ways to reduce our energy intensities and reduce our carbon footprints? More importantly, can we voice our concern in industrial forums and bring

pressure on our respective national governments to frame and implement economic and industrial policies that arrest and reverse our suicidal rush in the name of development? Can we re-define success as not what we create for ourselves but the legacy we leave behind for our future generation?

I believe that our sensitivity has to be fine tuned to local and global issues even though they may not have an immediate and direct impact on our business. We will not be able to address every issue but each leader will have to decide what is critical and take up that cause. For me, in India, the cause of secularism, the need to sustain plural faiths and beliefs is very important. Four years ago there was state-sponsored communal killing of Muslims in the State of Gujarat and I decided to speak up. I had the good fortune of having been appointed as Western Regional Chairperson of the Confederation of Indian Industry, and Gujarat was one of the States that came under my official charge. I went and saw first hand the Muslim victims in the make-shift camps. It was a harrowing experience and I decided to speak up, bringing it up as a legitimate human issue that should concern business leaders. Whenever a business leader speaks out against the Government there is a chance of a backlash. But this is a decision each of us has to make - to stay in our comfort zones and like an ostrich pretend that it is not our business to intervene, or to take an active stand and be prepared to face the consequences. Are we not clear about listening to shareholders? But every night before we sleep, should we not also take care of that small voice - of our own conscience? Amartya Sen, economist and Nobel Laureate warns us that "Silence is a big enemy of social justice".

When I say this, I would like to reiterate that the first responsibility as a corporate leader is to make my organisation financially strong and

sustainable. I am saying this because when my own company, Thermax was not doing well, all our energies were turned inwards for survival. Corporate social responsibility took a back seat. However, doing well financially is necessary but not sufficient. We have to reach out to the larger community from which we draw all our resources. Very often, corporate leaders have argued that since they create job opportunities and pay their taxes, they have done their bit. I totally disagree with this view and believe that as the corporate sector is an integral part of the community, they have to be sensitive to its needs. There is a striking paragraph I read somewhere stating that the business of business is to generate growth and profits or else it will die; however, if that is the sole purpose of business, then it should die for it no longer has a reason to exist. This is very applicable to a country like India where poverty is a compelling reality and the gap between the rich and the poor is widening. It is imperative that the corporate sector with its managerial resources, financial muscle and technical competence reaches out to the needy.

In a world of enormous inequalities, where a billion people live on less than a dollar a day and half the world lives on less than two dollars a day, should corporate leaders not have a sense of justice? Can countries like India, sustain long term growth with such huge disparities and not expect any turmoil? I feel that apart from a sense of justice, in our own enlightened self-interest we as leaders need to be sensitive to this issue. Corporate Social Responsibility is not just a fashionable thing to do but needs serious commitment from leaders.

For the last three years Thermax has earmarked 1% of its profit after tax (which I hope will increase over time) for corporate social responsibility.

With rising rents, NGOs find it very difficult to find office space. In our new office we have given space to an NGO involved in education. We have adopted a state school for the underprivileged. Usually, civil society is mistrustful of business, in India and elsewhere. By genuinely partnering with our communities to deal with some of the issues, business has a chance to re-write the earlier script based on doubt and mistrust of the corporate world.

Wisdom also means realizing the transitory nature of positions and the fact that institutions will continue even as individuals come and go. A leader plans her succession so that there are no hiccups and there is smooth transition. “Succession” seems such a logical, good idea but it means coming to terms with the fact that you are dispensable.

When my husband suddenly died, our company and I went through deep trauma. Based on that experience, I wanted a smooth, well-planned succession. At the age of 61, I decided to step down and a year later, the Board appointed my daughter as the Chairperson. She is a Chemical Engineer and has been with the company right from the time she completed her studies. Apart from her competence, she has imbibed the family values and has gone through the meditation programme that I had attended. Now she has been at the helm for over two years and the company is doing extremely well under her leadership.

Though it was my decision to retire, I was anxious about my new life - anxiety as to how I would structure my time and whether I would miss those spotlights of the media. My meditation helped me through this transition. Since my retirement, I have been totally involved in the social sector. Being

a trained social worker, I have come full circle and returning back to my own profession.

In this age of borderless markets and transnational companies, it is fashionable to speak condescendingly about family owned businesses. We hear polarities being expressed - like professionalism of MNCs versus lack of transparency of family business houses. I think such blanket generalizations are not empirically valid. Consider many of the great business names: GE, Sony, Hewlet Packard, Johnson & Johnson. Many of them were family concerns, and they have demonstrated that the vision and passion of the founding members are critical to their continuing success. On the other hand, several of the MNCs have blackened their reputations by their shameful record of frauds and environmental violations. I think it is important for a company to be professionally managed and it is equally important to be guided by ethical values. This is a major challenge before us: how to keep alive the dream and the passion that guide a small family business and at the same time manage the transition to professional management as they grow big?

At our company, we are trying this blend of family values and robust professionalism. What are the family values that have guided and sustained us through these years?

Coming from a country where most corporate leaders and politicians are very hierarchical and operate from their status, we shun ostentation and try our best to be genuine. We remain accessible to our employees and encourage an open environment that respects differences. We have created a forum called Open House whereby the Chairperson and the Managing

Director meet all our employees across the country including our workers once a year and they are free to ask them any questions that they want answers for.

Knowingly, we have never short changed a customer. Even when we have not done well, we have accepted our responsibility far beyond contractual obligations.

We are transparent and open with all our stakeholders. We have never used company resources for our personal use.

We believe that we are custodians of the wealth we create and from our corporate and personal resources reach out not only in terms of writing out cheques but involving ourselves and our employees. We avoid getting caught up in the endless cycle of consumerism and extravagant one up manships.

The theme of my talk has been to emphasize the importance of “centeredness”. I would like to end my talk with an exercise and a story by which, hopefully, you will have a small glimpse of this concept.

In the US they have a weekend seminar called Renaissance weekend, where high profile people from politics, arts, education, and industry are invited. Often there are Nobel Prize winners as participants. Towards the end of the weekend a few attendees are asked to give a speech of no more than three minutes and are asked to imagine that as soon as they deliver the talk, they

would drop dead. I would like two of you to volunteer to make that three minutes speech to your friends.

End with Sailor story.