A TALE OF TWO CEOS

Abstract

Personality of CEOs and the Challenge of Building Organizations

The role of a CEO necessarily involves organizational development activities. They are responsible for not only delivering quarter on quarter performances but also for harnessing a culture of performance and institutionalizing processes that will sustain and improve success parameters thus enhancing the capabilities of the organization. It has been observed that apart from the decisions taken or not taken, budgets met or not met, personality of the CEOs go a long way in enabling them to perform their role. This paper will primarily focus on the second part of their role with a case in point where two CEOs of completely different personalities lead the organization towards growth. It will study and analyze the decisions made by them and the tools used to arrive at these decisions. It will also dwell upon the personality traits that distinguished them and will evaluate the nature of their impact on the organization.

Keywords: CEO, Leadership, Strategy, Culture, Personality

Prologue

A Soldier on the war front or an Army General strategizing in the army camp, both present different pictures of possible roles that a leader can assume, when a war is to be waged or an organization is to be led. Both approaches bring value to the table, add a dash of either valor or craft to the effort and consequently effect diverse changes in the system. Action and strategy, first without the second is off-course and second without the first is hollow. A healthy balance between the two delivers results and prepares ground for sustained delivery of results. However it cannot be ignored that an individual has greater penchant for any one of the two. A tale of two CEOs is in brief a story of an organization that saw in quick succession, two CEOs who belonged to these two broad categories. The drama as it unfolds under the stewardship of two different types of leaders throws light upon their impact on the personal and professional lives of men and women who are a part of the organization as it does on the spirit with which the organization is run.

Introduction of the organization

Goldstein Industries Pvt Ltd is a family - owned business. It is a manufacturing concern and has done well financially in last about 100 years. In fact it is one of the few business houses in the country that has withstood the test of time. The credit for this chiefly goes to progressive mindset of the owners as also to the powerful brands that the company owns. Just as the management has been sensitive to the needs of the changing nature of business environment in the country, they have also been extremely proactive in meeting the needs of its employees.

However in the year 1999-2000, Goldstein Industries realized that it would have to change radically to remain and to beat competitors in the business. It was still operating with the outdated technology, machines were old, work culture was lackadaisical and the leadership lacked vision. Salaries were low, loyalty was still a cardinal measure of performance and potential, there was complete absence of processes related to people, recruitment was done as per whims and fancies of the supervisors, there was hardly any training programs conducted, performance management process was non-existent and was done with summary disdain. There was no institutionalized process that sought to reward performance or to identify potential. Vision and mission statements were general and lacked clear articulation of goals whether short term or long term. In other words despite doing well, it did not know where it was going and what it sought to achieve. The board that was supposed to provide direction to the organization was more of a rubber – stamp variety attesting to the wishes of the owners.

It is against this backdrop that the owners took the decision of initiating the professionalization process. The first step was to recruit a professional CEO.

The First CEO

His background and his Personality

Mr S Ramaswamy aged 54, was an engineer from IIT. He had spent all his life in a large MNC in functions like Manufacturing, Sales, Marketing, Supply Chain and HR. He had occupied national level positions in India and also headed supply chain and HR function for the entire group worldwide. The reasons for his joining the Goldstein Industries were that he wanted to be at his native place. He also wanted to contribute to the economic well being of this region.

Mr Ramaswamy was an intense person. He led from the front, with the heart of a lion. He had an inspiring presence and a stentorian voice. He was everywhere in the organization, all employees could feel the reverberations of his ideas, authority, and warmth. He oozed energy and charm that stood in stark contrast of the organization that is staid and laid back. He was always immaculately dressed and was a perfect gentleman. Many employees had a close and one to one relationship with him; they admired him and looked at him as a role model.

How Goldstein Industries changed

New Board

Mr Ramaswamy facilitated the entry of several luminaries in the Board of Directors. Most of them were national figures from the corporate world and from the Indian political firmament. The board members were no pushovers and board meetings were held every quarter and the organization was imbued with a sense of urgency and direction. Several organization wide initiatives were championed by board members. They combined academic excellence with corporate wisdom.

Vision and Mission became "Corporate Purpose"

A formal document was created and inducted into the lexicon of the organization. It was to be the credo for future, which it truly became. The new document answered the What, How, Who and When of the organization. It was clear, concise and made an impact. However it stopped short from outlining where the organization would like to be in 5 or 10 years.

Business Restructuring and New Heads of Businesses

Mr Ramaswamy strategically aligned various businesses and functions. Identical functions and businesses were brought together to leverage synergies. Market segmentation was re evaluated and new brands were launched for the unattended consumer segments. Existing heads of businesses were either asked to leave or they left on their own. New heads were from well-known and reputed organizations with established credentials in their field. Quite a few of them were from Mr Ramaswamy's last organization. The functions that came into focus were HR, Manufacturing and Supply Chain.

Discipline

Office timings were changed from 1000 hrs - 1700 hrs to 0930 hrs - 1830 hrs. These timings were strictly enforced and the CEO himself reprimanded sometimes the latecomers.

Recruitment

The function saw extreme centralization. Mr Ramaswamy himself interviewed all managerial candidates and went through the papers of all junior recruits before selection. This led to a dramatic improvement in the quality of people entering the organization. This however made the process of recruitment slow.

Performance Management System

From a position of not having any performance management system, Goldstein Industries aspired to have a best possible system. The system was created afresh with the best practices imported from all the best organizations in the world. They were suitably customized for Goldstein Industries. Some of the steps were as follows:

Transparency: Almost complete transparency was institutionalized in the appraisal process between the appraiser and the appraisee.

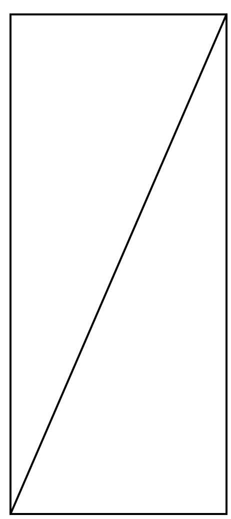
Competency Framework for performance and potential assessment: A competency-based framework was developed and integrated to the Performance Management System. A set of competencies were identified that were peculiar to Goldstein Industries. They were arrived at through a participative and bottoms-up approach. A questionnaire was administered on each employee to ascertain the values and competencies that have enabled Goldstein Industries to survive and do well for so long. A list of 7 competencies was finally identified. They were judicious though clumsy association of ideas. Exhibit 1

Each employee was assessed on them and his ratings on these competencies were used as one of the instruments to ascertain his potential. Performance assessment was primarily used to determine and disburse variable pay. However the use of competencies did not percolate down to the ranks and their understanding remained fuzzy. Several workshops were conducted to set it right to almost no avail.

Cornerstone of the process became Development and it was christened "Personal Development Planning"

Definition of Work Levels in terms of Strategy and Operations content in a role

Strategy



Operations

A simple yet extremely effective concept mentioned above was used to define delegation of authority, to determine reporting relationships, to distinguish strategy content in a role at different levels. All employees were divided into 5 Work Levels, frontline executives at WL1 and CEO at WL 5. This step brought great deal of sanity into the organizational hierarchy.

Manufacturing & Supply Chain

World's most modern machines were imported; several managers were sent abroad for training. A state of the art, new manufacturing unit was set up. As a result Goldstein Industries won several awards in the field of manufacturing that were first in the country; they also achieved 5-sigma level in waste reduction process.

Goldstein Industries was known for being insensitive to timely delivery of products to its customers. Mr Ramaswamy carved out a separate department of supply chain from the existing departments and redefined excellence in this area.

Prelude to his exit and his exit

Mr Ramaswamy joined with a mandate that he would take one of the brands of Goldstein Industries to the national level, which he could not do in his tenure of nearly 5 years. In last about one year, it was increasingly felt that he was running out of steam. Organization was simply managing itself and no major decisions that will have a long-term impact on the organization were taken.

Mr Ramaswamy's tenure had seen extreme centralization of authority in his position and personality. His direct reportees, who were also business heads, had long felt that their authority was severely circumscribed by the CEO. Most decisions were to be bounced off with him and his views taken. In fact some people in the organization joked, that the CEO was also VP Manufacturing, VP Marketing, VP – Human Resources, VP – Finance all rolled into one.

His resignation from the organization was national news. It also saw a great outpouring of emotions from several employees; many of them left the organization almost immediately after he quit. There was a prevailing feeling in the organization of despondency and a sense of being lost.

Interregnum

Appointment of the new CEO was taking a long time. Feeling of anticipation and hope had by now given way to dread and resignation. Rumors were rife that the previous CEO, the one before Mr Ramaswamy may come back. There was also speculation that one of the existing VPs may take his position. He was not perceived to be a capable candidate for the CEO's position.

One fine day, the announcement came. The new CEO had extremely impressive credentials. In fact he exceeded most people's imagination of Goldstein Industries' ability to attract a personality of his stature. He was, Mr N Keshavan. A PhD in Aeronautical

Science, he had a teaching experience of nearly 8 years when he was picked up by a management consultancy of world renown. In his 12 years of career with the consultancy, he had become the partner of the organization and earned a reputation in the corporate circuit for being a visionary. Suddenly there was again hope and eagerness in the organization.

The Second CEO - Personality

Nobody noticed the joining of Mr Keshavan. It was already nearly 15 days of his joining; many said we are yet to see him. He was a person of average height about 5ft 5", slightly plump, bespectacled. He did not have a stentorian voice nor did he have the flair of a salesman. He seemed a man of strategy who will run the organization from the backroom.

The impact of the second CEO

The first couple of months, Mr keshavan was hardly seen in the organization. The impact was suddenly realized when several senior business and functional heads quit. These heads had contributed significantly to the growth of the organization and were looked up to by many. This was followed by announcements of several big-ticket recruitments. The names were impressive and awe inspiring.

However all these names were from large multinationals known for their ruthless implementation of process in the quest of business success. The charms of working in an old and homely organization seemed to be threatened.

He set up a corporate strategy team that was to advise him and work with him on various projects that he undertook. This team was looked at with suspicion and awe by most in the organization. Most members of this team were new and recruited by Mr Keshavan himself.

Everyone in the organization was waiting for the customary event that was due within a few months' of Mr Keshavan's joining. All wanted to see how he speaks publicly and how he handles questions. This event was held every year and was to apprise all employees of the performance of the organization in the last financial year and set the tone for the next.

When employees entered the hall, they were greeted by giant hoardings of three successful and respected business leaders of the contemporary world. Each of these giant cutouts had one value/competency inscribed. The event was markedly different from the earlier ones. Mr Ramaswamy used to be the be all and the end all of the event. This time it was highly participative and interactive. Mr Keshavan made a powerful and touching speech both in the beginning and in the end to sum up. He was assertive, clear and to the point. His words reflected great maturity, deep insights into the business, clinical precision in strategy, focus on delivery and obsession with leadership. He very clearly articulated, where he would like to see Goldstein Industries in next five years. His vision was concrete and easily understandable.

Initiatives taken by the 2nd CEO

Greater Delegation of Authority

Subsequent months saw a great deal of delegation of authority. Several powers that were earlier vested in the CEO, were suddenly being exercised by his reportees or even by employees down the line. This made the speed of work go up dramatically. It also facilitated quicker decision-making.

HR

HR again came into focus. A vision was set for HR that Goldstein Industries must become one of the top ten employers in the country. Mr Keshavan recruited a new VP – HR, who was young, dynamic and with high result orientation. He was entrusted with the task of creating a high performance culture for Goldstein Industries.

Discipline

His views on discipline were that the deliverables must be met and rules may be kept flexible so as to afford the employees convenience however a watch must be kept that a lackadaisical attitude must not develop.

New Values enshrined

The three new values that were introduced to the employees became the cornerstone of his management philosophy. Most developmental activities related to people were centered around these values. HR department too conveniently ignored the earlier seven competencies that still was a part of the performance management system and eagerly embraced the three new values. Exhibit I

Dr Keshavan has just completed one year of his tenure. While he has made several big moves on the business front, they are yet to bear fruits. He has appointed two Presidents who look after 2 major product lines. He has created several senior positions that are expected to streamline and reinvent processes for the organization. He has also appointed a Vice President – Corporate Strategy, whose team would create and implement new business models that will drive the organization into future. He recruited several managers at the middle level. These candidates were mostly from a premier b-school and therefore were comparatively much younger to the existing managers at their level.

Majority stake in a reputed company was bought. A new subsidiary company was started. Some new-age products were launched. However these initiatives are yet to contribute to the top line. In fact some of the products launched are not perceived to be in tune with the strength and image of Goldstein Industries. Despite the recruitment of quality and senior manpower, the revenue is not growing at the rate that it is budgeted. Manpower productivity is already low and is going down further. Investments are being made in improving infrastructure. Several projects are on the drawing table, in fact Dr Keshavan is personally driving the most ambitious project of all which is likely to change the way industry does business. It can make Goldstein Industries a household name in the country. It also entails considerable investments.

However most employees feel that good old days are gone and now they have to perform or perish. There is also a feeling that with speed and strategy characterizing the work atmosphere, the spirit of work is somehow lost. Early morning today when they were rushing in to swipe their cards at the entrance gate, they were treated to a sight of smart men in black suits and ties and women in business suits alighting from a fleet of Mercedes Benz cars and entering office. They were from a management consultancy firm, the former employer of Dr Keshavann, who, as the fear was, will probably tell the employees how to work.

Exhibit I

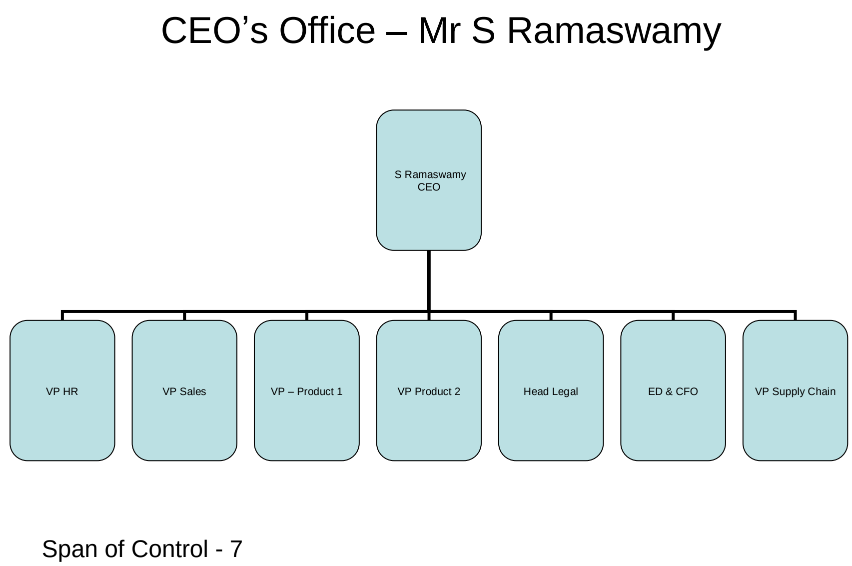
Competencies as enunciated during the CEOship of Mr S Ramaswamy

- Customer Focus
- Self Confident Integrity
- Self Development and Coaching others
- Leading Team Working & Change
- Initiative and Achievement Orientation
- Business Insights
- Integrity

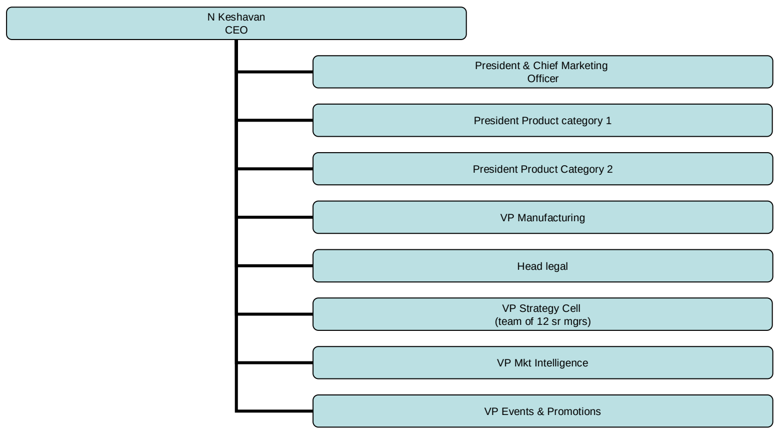
Competencies as enunciated during the CEOship of Mr N Keshavan

- Proactive Action
- Inspired Teams
- Distinctive Ideas

Exhibit 2 – Organization Structure of the CEO's office: During the times of Mr S Ramaswamy and Mr N Keshavan.

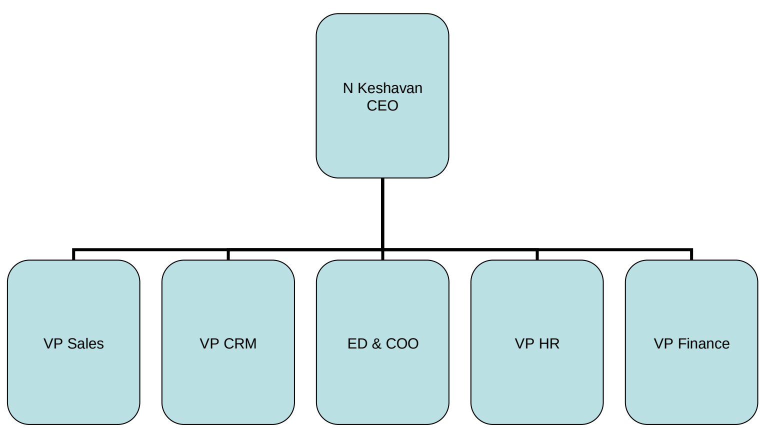


CEO’s Office – Mr N Keshavan



• Most Sr Managers in the strategy cell were from CEO’s alma mater, personally recruited by him and therefore preferred reporting to him.

CEO’s Office – Mr N Keshavan



Span of Control - 13

Exhibit 3

An extract from the book titled -

Creative Destruction – Why companies that are built to last, under-perform the market and How to successfully transform them – Richard Foster and Sarah Kaplan

Creative Destruction offers a radical new proposition: The most exceptional, enduring corporations cannot continue to beat the capital markets indefinitely. In order to continue to maintain excellence and remain competitive, they must adopt the dynamic strategies of discontinuity and creative destruction.

Foster and Kaplan, drawing on research they've conducted at McKinsey & Company on more than 1,000 companies in 15 industries, show that even the best-run and most widely admired companies are unable to sustain market-beating levels of performance for more than 10 to 15 years. They write: "Corporations are built on the assumption of continuity; their focus is on operations. Capital markets are built on the assumption of discontinuity; their focus is on creation and destruction. The data present a clear warning: Unless companies open up their decision-making processes, relax conventional notions of control, and change at the pace and scale of the market, their performances will be drawn into an entropic slide to mediocrity."

Corporations operate with management philosophies based on the assumption of continuity; as a result, in the long term they cannot change or create value at the pace and scale of the markets. Their control processes, the very processes that have enabled them to survive over the long haul, deaden them to the vital and constant need for change. What will be required are more than simple adjustments for these corporations. Foster and Kaplan explain how companies like Johnson & Johnson, Corning, and General Electric overcome cultural "lock-in" by transforming rather than incrementally improving their companies. In order to continue their success, these companies create new businesses and sell off or close down businesses or divisions whose growth is slowing. They also abandon outdated, ingrown structures and rules and adopt new decision-making processes, control systems, and mental models. Corporations, they argue, must learn to be as dynamic and responsive as the market itself if they are to sustain superior returns and thrive over the long term.

ABHISHEK KUMAR

ASSISTANT PROFESSOR

BHARATHIDASAN INSTITUTE OF MANAGEMENT

MHD CAMPUS, BHEL COMPLEX

TIRUCHIRAPPALLI – 620014

INDIA