

# LEADING THROUGH MINDS

Prakash Rastogi

Are business leaders born or made? Are there specified leadership skills that can be systematically learnt and practiced? How do leaders manage a crisis situation and manage for organizational success. In this exclusive interview, Dr. N H Athreya (NHA) discusses the practice of leadership skills with Mr. Prakash R Rastogi (PRR) who took over as Managing Director of Clariant (India) Ltd after its global demerger from Sandoz (India) Ltd, in 1995.

To move from an uncertain future to a extremely successful company called for leadership excellence. During the ten year period, Clariant (India) Ltd not only effectively managed the organizational change but emerged as the leading specialty chemical company in India.

**NHA:** What was the situation when Clariant (India) was formed? How did you evaluate the situation and what did you see as the main leadership challenge?

**PRR:** When Clariant (India) was formed in

1995, arising out of a global demerger of the chemicals division of Swiss multinational Sandoz, it faced a loss of century-old identity among customers, suppliers and employees. There was also a general atmosphere of uncertainty about the future of the company. For employees, the loss of Sandoz identity was emotional, since Sandoz was started as a dyestuffs company in 1886 in Basle, Switzerland. There were genuine concern in the mind of key customers and suppliers about doing business with a company, which had suddenly shrunk in size and financial spread.

The company inherited a manufacturing site and workforce, with a culture of centralized structure and strong functional affiliation. There were two unions and there were several cases of labor conflicts in the past. There was a clear demarcation between management staff and unionized workers and between business functions resulting into diffused business focus.

The Chemical division accounted for nearly 40

percent of sales of the erstwhile Sandoz (India). We had managed markets and customers but had no background of managing shareholders, corporate functions like finance, legal and HRD. In addition, there were administrative and legal issues that had to be settled.

While we realized that the merger could release lot of latent value, we noted it would also unleash significant negative energy. A major cause of concern was limited options for career growth in a smaller company as well as sudden loss of knowledge base built over the years.

These were the organizational concerns that I shared with members of the newly formed management committee and impressed upon them that we should take charge and set up the tempo of change. We realized that we had to decide quickly and address several issues confronting the newly established company.

The biggest challenge in our opinion was the change of organizational culture. We recognized that we

had to change the mental process of the multidivisional company and develop a new organizational culture of customer-focused specialty chemical company. Creating an internal

share of mind was in our view a strategic need. Simultaneously, we had to learn and outsource the new skills for managing the areas of corporate functions. We were aware that change could succeed only when concerned people were involved in the change process. We observed that workers were not averse to change and I was convinced that their behavior was due to past conditioning.

We wanted our change process to be internalized and were in search of a simple, down to earth name for our transformation process. We were discussing with colleagues but were unable to find the right word. A customary puja was organized at our factory and I observed the workers were intensely submerged into clapping, a basic physical and mental expression which is held in high esteem throughout India. On my way home, I kept thinking and got the idea of calling our change programme as Operation CLAP (C L A Participation to improve Profitability through Performance of People). It had people, participation, profitability and performance. When we presented the concept to the management committee, as well as to a group of workers, it was immediately accepted.

With our mental framework on managing

change, we deliberated on the process extensively and decided that our goal would be to create an environment for "forgetting". We were convinced that without this the new programme could be in jeopardy. We therefore setup a four-stage change process: **Direction, Involvement, Communication and Action**. As we had no past data for comparison, we decided to go for the concept of "Inside out to outside in" and of zero-based budgeting for a goal setting process.

We told ourselves: communicate and

do that was face-to-face two-way communication. We started a hurricane programme of meeting over 80 percent of our customers, all distributors and all suppliers all over the country and personally explained them the benefits of the new company and we received overwhelming encouragement.

**NHA:** How did you develop the vision and values of the newly born company? How were the people involved in the development of vision? How was the vision accomplished?

#### **NHA Comments on self management and development**

*The situational requirement is that the leader gets the agreed results. This implies that he knows the reality of his environment, his role expectations and his abilities.*

*Recognizing this requirement and continuously working at it is a fundamental leadership skill. The leadership challenge is to have constant self evaluation; it is to adjust to the prevailing environment.*

*The game of acquiring new knowledge, developing new capabilities and relationship is a continuous process. A related leadership skill is recognizing one's value system and abiding by the values in one's working life.*

**communicate fast:** We recognized that the organizational change had to be communicated to the customers, the distributors and the suppliers fast and effectively and the best way to

**PRR:** When it came to developing a vision for Clariant (India) Ltd, our intention was to ensure that its development must involve all executives. We wanted to create a pragmatic destination and

utilize their creative energy to reach the goal. We were convinced that lack of involvement could lead to weak acceptance and commitment in practicing the values. In addition; we wanted the vision to be simple, directional, self inspiring and achievable.

With this background, we involved the 250 executives and asked them how they would like to be described by our main stakeholders, customers, suppliers, shareholders, employees and business press in five years time from then. The summary of all the values were discussed at different management levels and adopted as

company's vision. The clear advantage of such a participative process in vision development was total acceptance and greater commitment in implementing the needed actions.

Once the vision was formulated, it formed the basis for annual business plans and individual action plans. The vision statement was made a mandatory element of the individual target file. The management practices in different functional areas were directly influenced by the vision goals. Clariant (India) Ltd's increase in dividend from 25 percent in 1996 to 100 percent in 2003 or change in suppliers payment process were the

#### Vision development 1996-2000

How do we want our 'customers' to talk about Clariant (India) in the year

first choice in specialty chemicals.  
customer focused caring company offering packaged solution for problems.

How do we want our Clariant (India) to be known among our "suppliers"?

prompt and innovative service provider.  
reliable business partner interested in mutual growth.

How do we want to be described by our 'shareholders' and 'financial institutions'?

a company which meets its commitments on suppliers and payments.

How we would like Clariant (India) to be seen by 'analysts and financial' world?

company with consistent all round growth creating shareholder value and rewarding the shareholders.

How we would like 'employees' to describe about Clariant (India)?

company with excellent corporate governance.  
leader in specialty chemical sector in India.  
dynamic and professionally managed organization.

a company with a passion for growth creating benchmark in key performance parameters.

multi-national company providing career growth to employees.

good paymaster and providing environment for learning.

### NHA comments on vision creation

*A key leadership skill is to create and communicate a vision. This serves to motivate and inspire people to work collectively and for a common purpose.*

*Besides understanding, since it should touch the self esteem and pride of the people, they should be involved in the development of the vision.*

*A good vision statement should seek to stretch the individual and organizational capabilities.*

*Leadership is all about accomplishing the vision. The leader has to therefore go for a persistent and concerted effort to transform the vision into reality.*

result of such implementation.

**NHA:** How did you set organizational goals and priorities? What were the key actions in achieving them?

**PRR:** While we had a successful record of managing customer growth and delivering value in different markets, we realized we had to stretch further. We set double digit sales growth target (verses market growth of 3-4 percent). We wanted our financial goals - Sales, EBIT (Earning before Interest and Tax) and Net working capital (NWC) to be understood by all the executives across all functions. Therefore we started the concept of Quarterly Target Meet (QTM). The first quarterly target meet was held in January, 1996. We asked all executives to put their signature as a symbolic

gesture of their commitment to company financial goals and a copy of it was given to all the executives.

While working our annual plans, we used the concept of bottom up - top down business goals. To ensure total visibility and commitment, each executive was given a target file (TF) which contained structured information on company's financial goals, functional goals and individual goals. Simultaneously, we introduced the concept of setting four monthly priorities for every executive. The progress of implementation of individual and functional priorities was monitored through an internally developed information system. The company goals were reviewed in every QTM held on the first Saturday in January,

April, July and October. At every QTM, there were awards for outstanding team performance and best learner and we introduced all new employees at each of the target meet.

The continuity in goal setting, involvement of all level of executive team, visibility of information system and reward for individual and team performance ensured Clariant (India) achieving all its financial goals for (1996-2000 ) successive

Organizational capability improvement.

The goal setting process initiated from customer to organization and created a strong linkage between company goals, functional goals and individual goals. The annual company and functional goals were arrived at by a series of interactive processes using the concept of "bottom up" to "top down" process. Appraisal system was an integral part of performance

#### **NHA comments on setting continuous goals and priorities**

*A leader sets specific goals and priorities and makes it understood by all concerned. He makes them realistic and attainable. He gives the needed support. He continuously evaluates the goal achievement. He commends good performance. He reviews and revises the goals and in line with emerging reality.*

years.

**NHA:** Was there any specific drive to ensure all round performance within the company?

**PRR:** We realized that whatever we do internally would be of little vale if our external stakeholders do not experience the changed character of the organization. We wanted to transform "Personal knowledge" into "Organizational knowledge".

The performance goals were set up in four areas: Customer management, Financial performance, Business process improvement and

management process. While setting performance objectives, managers were specifically trained to make objectives SMART (Specific, Measurable, Achievable, Realistic and Time bound).

The focus of the appraisal system was more developmental: identifying the improvement areas for skill improvement and role effectiveness and more on self-measurement and self management. The focus was on "learning" and not on teaching. Introducing monthly priorities for business units and individual priorities further

strengthened the system. These priorities formed the basis for short-term actions and its implementation was reviewed on a monthly basis. The focus was to move more towards adequate and timely decisions.

One of the specific areas of improvement was setting of four priorities every month by each executives and a regular follow up at the monthly review meetings. This ensured that individuals were doing self management and self improvement. Sustainable business growth could be realized through sustained value growth as well as creation of new customers, internal

processes. Business processes in the company, if designed by someone else, have fewer acceptance. Therefore, we decided to ask all employees across all functional to write down there own business process. The dictum was to "say what you do?"

Initially all employees were given a guidance how to write a business process through a software. We could write

over 500 business processes in all areas of work- which were as diversified subjects as how to receive a customer, and how to settle supplier's bills.

Then an inter functional committee selected top

#### **NHA comments on performance and achievement**

*Leaders go for all round performance. They balance between empowerment and control, between independence and interdependence, between consistency and flexibility.*

customer satisfaction and internal guaranties.

**NHA:** I believe that there were several examples of creativity and innovation could you elaborate?

**PRR:** Organizational productivity comes when all the employees work as per agreed and transparent work process. We recognized that one of the major opportunities in work productivity would be effective implementation of business

50 processes and documented them as "P50". A copy of these processes was given to each functional manager. Through the involvement of employees and their creative participation, the company was able to improve the productivity of processes. For example, through this innovative approach we could reduce our engineering stores inventory and packing material inventory by more than 50%.

In addition to the above, P-50 project, we went for a focus on 50 top customers, 50 top products and 50 high potential high performance people. At the market level we initiated a project wherein 15 percent of yearly sales came from products which were less than two year old.

We redefined our role with customers and suppliers as partners in our business growth. For customers,

we managed CUDEPRO (Customer Development Projects) and for suppliers we provided them with technical expertise to improve their processes. In addition, there were several other innovative projects like CIEBITI (Clariant

of such a process has to be a two way process. We recognized that communication has to be relevant, simple, fast and as far as possible direct. During the visit of two directors from the parent company in September 1995, we organized face-to-face meeting with all unionized workers. Discussions surprisingly centered around strategic issues like future investment and new technology transfer. This helped us to break the relationship barrier and develop confidence level.

Some of the other initiatives of direct communication included creation of "Black boards" at the gate of all departments where functions could write their achievements. Company's daily sales information was displayed

#### **NHA comments on creativity and innovation**

*Practicing creativity is another important leadership skill. Assuring this in every member of the organization makes for optimum return from the ever-limited resources. The environmental competitive challenge is not merely to perform better than yesterday but faster.*

EBIT improvement Plan), Functional focus to process focus etc.

**NHA:** How was the internal communication managed and how effective was it?

**PRR:** Effective communication has to be an integral part of any change process and the pillars

at the factory gate so that every employee could see the progress of sales.

We developed our monthly bulletin with the clear policy of NOT publishing management photographs. We decided instead to use it for sharing business related information as well as functional and individual employee related



highlights. An interesting feature of the monthly bulletin was employee's birthdays. The cover page entitled "Management Column" carried one topic

in a marriage procession in North India?

With these thoughts, we started the concept of

#### **NHA comments on communication**

*A leader knows the place and power of effective communication with people inside and outside the organization. This is not merely to monitor progress but to involve and develop people. The leader relies on both formal and informal systems. The leader knows the place of face to face communication. In particular, he knows the value of listening as much to feelings as to facts.*

of business challenge and the action plan required to manage it.

**NHA:** Was there any celebration on achievement? How did you manage that?

**PRR:** One strength of the Indian society is its family and social fabric symbolized in the frequent occasions for celebration. From my childhood, I have witnessed how people celebrated Ramleela, Durga pooja and the Ganesh festival. During my 35 years of working life in Mumbai, I experienced the traffic moved fastest on the emersion day of Lord Ganesha. This is in my view has been possible because the volunteers of ganesh mandal themselves control the flow of traffic who in India would not have witnessed the joy of participation

"Clariant Olympics" and "Clariant Utsav" but we wanted it to be different, we wanted the emotional involvement of employees. We did so by handing over the entire management of celebration to unionized employees. We looked to the values of the Indian family while designing the content. First of fall, all employees were invited along with family members. The content of the programme was designed using the employee's wishes. At the end of "Clariant utsav," each employee was given a family gift, which ranged from pressure cooker to tea cup set. The involvement of spouse and children had a dramatic impact on the attendance. The message of equality, human dignity and employee's participation could not have been better implemented, many observed.

### NHA comments on celebration of success

*A leader knows the power of celebration for continuous and increasing success. He uses every opportunity, therefore, to publicly celebrate success, individual and group success, big and small success. He draws on the cultural riches in this regard. He makes the organization rich place, not only economically but also emotionally.*

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### QUOTE

*"We now accept the fact that learning is a lifelong process of keeping abreast of change.*

*And the most pressing task is to teach people how to learn."*

**Peter Drucker**