

Gray Matters

Quarterly

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...THE DAWN AFTER



This picture has been taken in front of the Taj Mahal Hotel, Mumbai

HAPPY NEW YEAR



He who climbs upon the highest mountains laughs at all tragedies, real or imaginary.

- Friedrich Nietzsche, Thus Spake Zarathustra

The flight for viewing Everest is an experience... an exhilarating experience. An hour of breathtaking views. I have dedicated the cover of this issue of Gray Matters Quarterly to the highest peak in the world, which cannot be seen from ground. This picture has been taken by 'yours truly' from the flight, 25000 ft above the ground.

The Mighty Himalayas, a rugged mystical natural beauty. A region of stark grandeur, of glacier hung peaks, a sublime vista where the earth touches the sky, where the stars in the heaven sparkle bright during the night. Perhaps the closest we can ever get to touching paradise. This is heaven here on earth!

Many expeditions have been made to reach to the peak of the Mighty One. During the journey to the peak a climber often gets hit by the blizzard, only to move ahead at 2 inches per hour, it is the vision of the peak that keeps him going.

It is similar times now. When the world around us is 'shrinking' and 'conserving' due to the recession, this is like the blizzard...even moving 2 inches is an achievement, keeping the vision in mind.

Its tough. Its exciting. Its about working together. Its about believing. Most of all, it is about walking the tightrope between challenge, hope and vision.

Lets start 2009 on a 'high' note. Here's raising a toast to this festive season and wishing you a very Happy New Year.

All men dream, but unequally. Those that dream at night in the dusty recesses of their minds awake the next day to find that their dreams were just vanity. But those who dream during the day with their eyes wide open are dangerous men; they act out their dreams to make them reality.

- T.E.Lawrence (Lawrence of Arabia)

Au Revoir

Sanjay Roy Chowdhury
Managing Director
Gray Matters Consulting Pvt. Ltd.

Justell.

Changing the way 'work' works

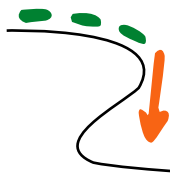
Semco is a Brazilian company, where employees are free to customize their workdays, to come in earlier or later than traditional schedules. The hours they work are determined by their self interest, not by company dictates. They're the best judges of the amount of time and the proper place necessary to get their job done.

At Semco, managers are concerned with the essence of what employees do for the company, nothing more – certainly not the boarding school issues of who arrived at what time, wearing what clothes, and left when, to go where. So it all comes back to the hardest of all reforms, relinquishing control, and giving it up happily, no less. If employees can come in any time, work anywhere, and take sole charge of their hours, how can they be controlled?

As CEO, Ricardo Semler puts it "If I demand that the worker show up at 8am even if she is someone who regularly sleeps until 9am, all I get is a couple of hours of her least productive time. And if I, m closed down at 6pm, I'm sending her home just as she's hitting her stride. Her biorhythms may dictate that her best hours are from six to eight. Someone else may be alert and prolific after a twenty minute catnap in the afternoon.

If I insist on standard work hours, I may be sacrificing a certain amount of employee potential every day. By encouraging uniformity, I loose productivity"

Semco believes, people will work wherever they are. Companies hoping to recruit the best and the brightest must demonstrate that they trust their employees with the freedom. They must assume that they are buying talent and dedication, not what the Brazilians call "butt-on-chair time".



Tipping points are "the levels at which the momentum for change becomes unstoppable." Malcolm Gladwell in his book of the same name defines a tipping point as a sociological term, "the moment of critical mass, the threshold, the boiling point." In this section we would bring out articles / news & views of the unstoppable nature. A potential to become a "cult"

PYGMALION IN THE OFFICE

Self-fulfilling prophecies are powerful, Robert Rosenthal and Lenore Jacobson demonstrated the power of self-fulfilling prophecies in a school setting.

Rosenthal and Jacobson's experiment took place in a public elementary school in a predominantly lower-class but not impoverished community. At the beginning of the school year, the researchers gave the students an intelligence test they called "The Harvard Test of Inflected Acquisition." They told the teachers that not only did this test determine intelligence quotients (IQs), but it could also identify those students who would make rapid, above-average intellectual progress in the coming year, whether or not they were currently "good" students.

Before the next school year began, teachers received the names of those students who, on the basis of the test, could be expected to perform well. In actuality, Rosenthal and Jacobson had randomly picked these names from the class list. The test did not identify "academic spurters" as the teachers had been led to believe.

In short, any differences between these children and the rest of the class existed only in the heads of the teachers.

A second intelligence test was administered at the end of the year. Those students who had been identified as "academic spurters" showed, on average, an increase of more than 12 points on their IQ scores, compared to an increase of 8 points among the rest of the students. The differences were even larger in the early grades, with almost half of first- and second-grade spurters showing an IQ increase of 20 points or more.

Rosenthal and Jacobson concluded that a self-fulfilling prophecy was at work. The teachers had subtly and unconsciously encouraged the performance they expected to see. Not only did they spend more time with these students, they were also more enthusiastic about teaching them and unintentionally showed more warmth to them than to the other students.

As a result, the special students felt more capable and intelligent. And they performed accordingly.

In organizations, an employee will develop better in an office environment that offers superior role models and demands performance than in one that is less demanding. Clearly, the manager "sets the tone" for the office. Strong managers will create strong offices.

Some managers always treat their subordinates in a way that leads to superior performance. But most managers, unintentionally treat their subordinates in a way that leads to lower performance than they are capable of achieving. The way managers treat their subordinates is subtly influenced by what they expect of them. If managers' expectations are high, productivity is likely to be excellent. If their expectations are low, productivity is likely to be poor.

It is as though there was a law that caused subordinates' performance to rise or fall to meet managers' expectations – The Pygmalion Effect



LINKING STRATEGY WITH ACTION



In the past twenty years working in Nepal, I have always wondered about how a country that has one of the best bio-diversity, the Mount Everest, the largest forest reserve in Asia, numerous World Heritage sites, great trekking routes and other attraction has just managed to get half a million tourists, only marginally higher than Bangladesh, that has little in tourism to boast about. Whereas Malaysia, a country that has similar population as Nepal, received 21 million tourists in 2007. This basically provides an excellent example of having strategies and being able to link them to action.

Many firms get trapped into spending endless time and money trying to meet strategies or conducting various studies on improving action but very few firms actually manage to implement their strategies to the fullest. In organizations, be it business or not-for-profits, the absence of linkages are almost invariably always visible which perhaps can only be attributed to the people working at the top levels. The critical issue everyone overlooks is that it is always a group of human beings and not machines that make strategies or implement them; therefore, if one cannot get the two sets to be congruous, then a strategy will never succeed.

Let us look around and examine this issue in the organizations we work for or in the organizations we know. We have strategies being presented at Board Rooms of fancy hotels using state of art presentations and rarely, are the operations people that get their hands dirty present in those meetings. Thereafter, strategy documents and plans are prepared in the English language and circulated, which most likely are understood by less than half of the workforce. Strategy documents repeatedly talk about training programs to be implemented while the board of directors and senior management themselves would not have attended training programs for ages.

The fundamental requirement of any strategy is to be built through a participative process, where the voice of the key people in the operations is heard. Strategies should be communicable and understandable throughout the organization- cutting hierarchy, language and knowledge barriers- and ultimately, they have to be actionable. While they seem to be simple issues everyone seems to realize upon mere introspection, we can always observe yawning gaps.

Similarly with operations, the myopia of day to day operations renders the operations managers as well as CEOs who are consumed with operational details, unable to be able to step back and look at the bigger strategy picture.

That explains why the top hundred companies list of any country changes drastically every twenty to thirty years.

No doubt there is a necessity of linking strategy with action, but because of its simplicity it is always ignored. One tool has helped me to make it better. In order to make the linkages between strategy and action ongoing and strong, it is always advised to undertake strategic stretch exercises each year which not only let the organization stretch its current focus, but in the quest of the stretch exercise, the entire operations capacities and capabilities can be evaluated. The stretch exercise can be conducted at individual and at different levels at the shop floor as well as at the board room. This stretch can be evaluated from the perspective of stretch objective, the advantages, the risk factors of the strategy and the implementation risk factors. Thereafter, assessing the probability of success, one can either pursue or not pursue the stretch. However, in the quest of accomplishing this exercise, many gaps would have been identified in the organization that can be filled.

This is surely a tool that worked with the organizations that I have been involved in and hopefully one day I can use it on the country of Nepal also.

Sujeev Shakya, is The Beed, at Beed Management, a management consulting and advisory company based in Kathmandu. Sujeev is the Chief Executive Officer. With a keen economic sense and an extensive corporate experience in developing strategy, business development, consulting and planning, as well as in direct line management for over fifteen years, Sujeev is essentially a Chartered Accountant and also has a Diploma in International Marketing from Boston University, USA. He is one of the few from the private sector to be awarded the Hubert H Humphrey Fellowship by the US Department of State. With extensive domain knowledge in various industries, good risk management and environment management abilities and a strong network within the financial and multilateral community, Sujeev is an enterprising corporate executive who believes and delivers business excellence.



Over the years, in the Corporate world we have come across various 'concepts' which have now become 'buzzwords'. Often these words have been interpreted differently and interchangeably. In our quest to 'demystify' these concepts, and its meaning to a business practitioner, we have started a series with CEO's / MD's of Corporate India, seeking to address these 'concepts' from their own perspective, sharing experiences and anecdotes.

Vision	Values	Culture	Strategy	Leadership	Talent
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Mr. S Radhakrishnan is the Managing Director, DPSC Limited as well as DESCON Limited.

An Alumnus of St. Xavier's, Kolkata, Mr. Radhakrishnan obtained a Law degree and qualified as a professional Company Secretary. He joined Dishergarh Power Supply Company Limited (now DPSC Limited) as Company Secretary at the young age of 26 and went on to be at the helm of affairs as Managing Director of DPSC Limited, a premier Power Supply Company in West Bengal. DPSC Limited is in the business of generation, distribution and transmission of power for nearly nine decades. Mr. Radhakrishnan was subsequently instrumental in forming a separate Company in March, 1995 titled DESCON Limited, of which

he is also the Managing Director, which is a knowledge based consultancy Company in the field of IT, ITES, CADD/GIS and Power Engineering & Consultancy, BPO and Training Solutions.

He is a Fellow Member of the Institute of Company Secretaries of India and a Member of the All India Management Association. He was the President of The Bengal Chamber of Commerce & Industry unprecedented for two consecutive years in 2007 and 2008, and presently, is the Chairman - Eastern Region, Electronics and Computer Software Export Council, Government of India, Member, ASSOCHAM, Non-Executive Director of the Federation of Electricity Undertaking of India, Member of the Advisory Group on Energy, West Bengal State Council of Science & Technology, Government of West Bengal, Chairman, Academic Advisory Board, International School of Business, Kolkata, Member, Advisory Board, NSHM Knowledge Campus Kolkata, and Member of the Board of Management of Dr. Grahams Home, Kalimpong.

On Leadership

When I took over DPSC, there were couple of distinct and diverse 'groups' which were perpetually at loggerheads with each other, trying 'one-upmanship'. On top of it the financial situation of the organization was nothing to write home about.

It was the best of times and the worst of times. My task was cut-out, without any doubt. The challenge was enormous but so was the opportunity – make a cohesive group to achieve results. My leadership was on test.

Leadership is an incredibly complex and varied topic, encompassing from interpersonal relationships to corporate strategy. It has nothing to do with having

'charisma' or other exotic personality traits. It is not province of a chosen few.

Leadership is about coping with change. Part of the reason it has become so important in recent years is that the business world has become more competitive and more volatile. Faster technological changes, greater international competition, deregulation of markets and the changing demographics of the workforce are the many factors that have kept the 'leaders' on their feet.

I believe that leaders should create a situation wherein people work cohesively

with each other and also look at the leader for guidance. Leaders should create an environment wherein people would themselves like to deliver and achieve success.

Leaders have to take decisions and not all decisions would necessarily succeed. Sometimes a decision may fail or backfire – but that should not stop leaders from deciding – and deciding fast. Speed is of essence in today's world and even if 80% of the decisions you have taken, succeed, you have earned your bread.

Leadership is also to give a comfort level to your team members that they are in the safe hands of a person who can show them the path to success. Leadership is not the role 'only' of the person at the helm of affairs. I truly want each person in DPSC to play a leadership role. I try to create an environment wherein people are comfortable taking their own decisions. This I think would bring about a 'long lasting' effect on the organization as well as the individual.

Leadership is not about command it is rather to give respect to the people. In my tenure at DPSC I have strived to bring in 'transparency' in the organization and expect 'sincerity in approach' from my team members.

People ask the difference between a leader and a boss...The leader works in the open and the boss in covert. The leader leads and the boss drives.

- Theodore Roosevelt



On Strategy

At the first board meeting I was asked a question. “The Company is in bad shape, what you would do to rectify this situation. What remedies do you suggest for the organization? My response was simple – Action Plan. I believe in preparing an action plan which can be implemented.

How do you ensure success of action plan? Here I want to say with all honesty that no one can give an absolute guarantee of success. Action plans are prepared based on a ‘strategy’ and its success depends solely on proper ‘execution’. It is like a captain in a cricket team. After bowling the first couple of overs with fast bowlers, he decides to introduce a spinner. If the spin attack gets a wicket – superb captaincy. If it goes for a bashing – bad captaincy. The issue is to read the situation and make a plan accordingly. Success will follow.

Strategy according to me is “the way to achieve your objectives being cognizant of all hindrances that may come about”. It is the route which one takes, the manoeuvres which one needs to do, to achieve success. No organization can proceed without a strategy. People can’t take proper decisions without a strategy.

The Leader is the perpetuator of strategy. That is his primary role. The organizations success would depend on the right strategy. Strategy is situational, not permanent.

Once I say it’s an experience – it’s no more a strategy. In this competitive world there are friends and foes. We take a few steps forward and immediately the competitors would catch up. Strategy should always be one step ahead to ensure that you are competitive and effective. The corporate chess game.

On Culture

Companies today face ‘adaptive challenges’ Changes in society, markets, customers, competition and technology around the globe are forcing organizations to clarify their values, develop new strategies and adapt new ways of operating. The toughest task for the leader in effecting change is mobilizing people throughout the organization to do adaptive work.

Culture often comes as a baggage from the history of the company. DPSCCL had a public sector mentality. It was generally felt that even if the work is not done properly, their jobs are secure. There was no importance or urgency given to work. I had to bring about a change in that approach. Bring about a cultural change suiting the current business scenario.

Now, the approach towards work ethics in DPSCCL is that “unless you deliver results, your job is not secured”. We may not ‘fire’ people at the drop of a hat, but ‘meritocracy’ as a culture has brought about a sea change in the organization. People have been ‘empowered’ to take decisions and they ‘feel’ for the organization.

We have also changed the whole workplace, redesigned the office to bring in ‘vibrancy’ in the environment. We have given importance to working in ‘teams’ and have reprimanded ‘silos’ of operation. People today do not ‘get’ their salary – they ‘earn’ it.

On Vision

Vision is like ‘clock-building’ and not ‘time telling’. Being a leader is ‘time telling’; building an organization that can prosper far beyond the presence of any single leader is ‘clock building’.

We have just started the process of ‘clock building’. Sowing the seeds for the future. There is huge competition in the power sector where DPSCCL operates. In last 90 years of DPSCCL history, for the first time we had consumer interaction meetings which were held for all our industrial consumers. It was a forum for debating and surfacing issues which can be analysed and better customer services could be provided. It has created a new page in DPSCCL history. This initiative has also given us as a result, lot of mileage as far as consumers are concerned. There are lot of such new initiatives that have been planned which will unfold slowly.

Descon, the consultancy company started by DPSCCL on the other hand from start had been depending on DPSCCL orders and as a result the basic marketing skill sets were not developed in the organization. To change that mindset and create a strong marketing culture in the company, we have created a cell for marketing which would seek orders from customers and reduce dependence on DPSCCL. We are building the ‘clock’ there too.

On Values

Values are “Something which you believe in”. Values are something on which you would not compromise under any circumstances. But there is a ‘degree’ of variance. What I might value today, need not necessarily be acceptable to you. Every individual defines this ‘degree’ for oneself.

Values create the culture of the organization and more often the ‘values’ are the personal values of the top leadership.

It may so happen that an individual would not think twice before taking a prospective customer for lunch or dinner wherein there is a possibility of a business opportunity – and this same gesture might not be acceptable to some others. It is the degree which we define for ourselves. On the other hand, some values like ‘integrity’ do not really have a degree. They are binary in nature.

At a level where you take decisions, you may not be able to achieve your results without setting these ‘degrees’ for yourself as well as the organization. It’s definitely a compromise somewhere or the other. But the question is - how much compromise is acceptable.

When values are accepted at all levels in an organisation it becomes the culture of the organization.

On Talent

Talent is distinct. Every person is talented some way or the other. We need to see who fits our organization. "A person who can deliver for the progress of the organization". He has to fit into the company, its vision and its strategy and he has to add value for the growth of the organization.

There is also a role for the leadership or top management here; they need to also harness talent to achieve results. We are sometimes so insecure that we usually 'envy' people who are more talented than us. We feel that our position would be usurped by the person and hence we create hindrances in his / her development. Organizations can't develop with thoughts like this.

Early in my career I had come across a MBA Marketing person who had come to show me an article he had written on "How to do Marketing for the organization we were working". I saw the article but realized that most of his arguments were bordering on the theoretical aspects. I pointed out the practical difficulties in some of the areas he had mentioned and asked him to work around the practical aspects and show me the paper again. He later told me that he had taken the same paper to the Marketing Head, who, without even seeing the paper properly, scolded him for wasting time and not doing his job.

I think for nurturing talent you need to have a different approach. It is very easy to 'discard' someone, very hard to 'nurture'. Today DPSC has an environment, where individuals are able to identify their own talent, and the leadership has to nurture it.

Room at the Top

Occasionally, I have heard some young man say cynically that advancement is usually the result of 'getting lucky breaks'. This is a defeatist attitude that I deplore.

It would be less than honest to say that good fortune – being there, in the right place, when the lightning strikes – does not play its part. Yet when opportunity comes, even by chance, the man must be prepared, must be able to deliver; otherwise, his triumph will be short-lived. A steady rise to a position of pre-eminence most often comes with hard work, constant effort at self improvement – and devotion to principle.

One day during my White House years, I called in an assistant – a highly competent man of fine personality – and asked him if he would like to have a more responsible and remunerative job which was then open. I explained that he would be operating rather independently, largely responsible for his own decisions. He thought a moment and then said, 'No, I'd be no good at it. I am a No. 2 man – and I think a good one – but I am not a No 1 man. I am not fitted for such a job, and I don't want it'.

Although his answer startled me, I respected his honesty. Moreover, this world always needs competent No. 2 men, also good No 3, No. 4 and No. 5 men – and each, on his own level, can be a good performer.

Yet I would urge any young man with ambition never to be too hasty in concluding that he doesn't have the stature for top leadership. Often I have seen a man who had doubts about his own resources rise to the occasion and perform with great competence when the opportunity finally came.

Dwight D. Eisenhower

The word **encyclopaedia** is derived from two Greek words meaning "a circle of learning." The oldest known encyclopaedia was written in Greece about 2,000 years ago. It's no longer in existence. The oldest encyclopaedia in existence was written in the 1st century by Roman scholar Pliny the Elder; called *Natural History*, it consists of 37 volumes. The largest ever encyclopaedia is the 17th century Yung Lo Ta Tien encyclopaedia. Written by 2,000 writers, it was bound in 11,100 volumes. The first volume of Encyclopaedia Britannica was published in 1771, a year after Beethoven was born and 5 years before America declared independence.



Everyone knows golf originated in Scotland, right?

It's definitely true that golf as *we know it* emerged in Scotland. The Scots were playing golf in its very basic form - take a club, swing it at a ball, move ball from starting point to finishing hole in as few strokes as possible - by at least the mid-15th Century.

But can it be said that the Scots "invented" golf? Not quite, because there's strong evidence that the Scots were influenced themselves by even earlier versions of games that were similar in nature.

Here's what the USGA Museum says about the issue: "While many Scots firmly maintain that golf evolved from a family of stick-and-ball games widely practiced throughout the British Isles during the Middle Ages, considerable evidence suggests that the game derived from stick-and-ball games that were played in France, Germany and the Low Countries."

The medieval Dutch term "kolf" meant "club," and the Dutch were playing games (mostly on ice) at least by the 14th Century in which balls were struck by sticks that were curved at the bottom until they were moved from Point A to Point B. Sounds a lot like hockey, doesn't it? Except that it sort of sounds like golf, too (except for that ice part).

The Dutch and Scots were trading partners, and the fact that the word "golf" evolved after being transported by the Dutch to the Scots lends credence to the idea that the game itself may have been adapted by the Scots from the earlier Dutch game.

Something else that lends credence to that idea: Although the Scots played their game on parkland (rather than ice), they were using balls they acquired in trade from ... Holland.

The Scots made a singular improvement to all the versions of the game that came before: They dug a hole in the ground, and made getting the ball into that hole the object of the game.

Golf as *we know it*, we definitely have the Scots to thank.

THE SPIRIT OF ECSTASY

The Spirit of Ecstasy is the name of the mascot on Rolls Royce cars. It is in the form of a woman leaning forwards with her arms outstretched behind and above her. Billowing cloth running from her arms to her back resembles wings.

Charles Sykes, a young artist from London's Royal College of Art, designed the mascot which would adorn all future Rolls-Royce cars and become generic to the marque. The specifications given was - it should convey "the spirit of the Rolls-Royce, namely, speed with silence, absence of vibration, the mysterious harnessing of great energy and a beautiful living organism of superb grace...".

Today's "The Spirit of Ecstasy" stands at 3 inches and, for safety, is mounted on a spring-loaded mechanism designed to retract instantly into the radiator shell if struck from any direction. There is a button within the vehicle which can retract/extend the emblem when pressed.



The only Rolls-Royce this mascot does not appear on currently is the royal one, which carries the British Queen's mascot of St. George on horseback, slaying a dragon, designed by artist Edward Seago.



**MONT
BLANC**



Founded by the stationer Claus-Johannes Voss, the banker Alfred Nehemias and the engineer August Eberstein in 1906, the company began as the Simplo Filler Pen company producing up-market pens in the Schanzen district of Hamburg.

Their first model was the Rouge Et Noir in 1909 followed in 1910 by the pen that was later to give the company its new name, the **Mont Blanc**.

The first pen (a **fountain pen**) known as the **Meisterstück** or Masterpiece (the name used for export) was produced in 1925.

The trademark most clearly identified with Montblanc is the white stylised six-pointed star with rounded edges, representative of the **Mont Blanc** snowcap from above, the symbol being adopted in 1913.

The star is also referred to as an **edelweiss**, an indigenous perennial that grows in the alpine forests and mountains of Europe.

The number "4810," the mountain's height in metres, is embossed in the nib of the fountain pens.



ACQUISITIONS: STABILITY MUST BE ENSURED



Vinay Mishra
Director – Human Resource – Asia Pacific
IXIA Technologies Ltd

Growth has been the key element in ambitions of people – the only change is that people want it “faster”. Therefore the concept of lifetime employment – of an individual working till superannuation in the same organization – has become, more or less, non-existent. Job-hopping has become a common phenomenon because one has no time to wait for growth to happen.

Organizations are no exception. For achieving expansion and fast growth, companies are keen on adopting short-cuts by taking over already running businesses, through Merger & Acquisitions, instead of creating new prospects and developing them. All these appear to be attractive to the shareholders and owners of the enterprises, but the process needs to be undertaken in a careful strategic manner otherwise it may get derailed and the acquirer is left with a mess. In this process apart from the employees and the management, various external entities such as investment bankers, business brokers, legal and accounting firms, and the general business network are involved.

Whenever a merger or acquisition is notified, all the employees are naturally anxious over the prospects of change. For the sake of simplicity let us call the company taking over as the buyer and the acquired company as the seller. The key anxiety of the seller’s employees is around job security and /or relocations along with other associated concerns such as increased / changed job responsibilities and real or perceived differences in management style between the seller and the buyer. Since most buyers emphasize on improved profitability and downsizing appears to be the most popular belief as the best way to achieve desired results, these concerns are often justified. However, if these concerns are not addressed immediately and appropriately, employee apprehension, anxiety and resentment can spell disaster.

The stakes are multiple when the buyer has obvious plans to restructure the seller’s organization. But careful strategic planning, preferably before the buyer takes over, can help reduce or eliminate employee anxieties, resentment, and backlash. Any merger and acquisition can only be said to have achieved its objectives when the entire process is put in place in a seamless manner, is demonstrated and the entire assimilation plan is implemented.

Certain steps if taken well in advance can really be helpful in containing the employee’s concern

Learning about the Seller’s Organization

It is of foremost importance to gather as much information as possible about the seller’s organization, scope of business etc. in detail covering the following areas:

- Business Verticals and Horizontals
- Company Growth Strategies
- Exact Organogram
- Policies & Practices in place
- Cultural Factors
- Profiles of Key Managers
- Employee Data
- Performance Initiatives & Measures.

The buyer must involve the seller right at the initial stages and start extracting information for the due diligence phase. Once the knowledge of the industry and business has been acquired, the buyer needs to gather sufficient information pertaining to the seller’s business perspectives, competition, market strengths and staff profile. They need to have a plan in place for conducting the ‘road shows’ at all the sites where the seller has staff. They also need to form a team and carry out one-to-one personal discussions and round tables with groups of employees. It is a good opportunity to gather information and gain sufficient knowledge on the operational aspects and also to feel the ‘pulse of people’. In the process, the high performing managers and workers are also identified without using a formal technique.

Identifying the Key Managers and Using them as a Resource

Once identified, the key members, rather managers, should be approached during the due diligence period, after taking the seller into confidence. It would be a good idea to offer these managers with an incentive (e.g. post acquisition bonus, equity, promotion etc.) which can be one of the best ways to ensure their continued commitment and support.

Key managers with a stake in the company’s future are likely to be more committed to the overall well being of the operations, making it more profitable. Identification of these managers is a key to the acquisition process because, without their cooperation, success may be difficult to achieve. Inputs from managers are critical in developing a business plan. Their advice should be sought on goal setting, whether the goal relates to revenues, earnings, or increased



employee job satisfaction. Past instances are witness that acquiring firms that retain the seller's executives, outperform those that terminate existing management teams.

By engaging committed managers into their confidence, the buyer can gain important insights into the seller's current status, including profitability, market position and problems to be addressed. These managers often know what should be done to make the company more profitable, as well as the prospects for improvement and the best approach to making those improvements. They can also help identify key employees and positions that can be combined or eliminated. If 'downsizing' becomes a part of the strategy, it will be better for the word to come from long-time, respected managers rather than from a buyer that is an 'unknown entity'. If nothing else, the involvement of key managers in layoffs helps to maintain the morale of employees who stay with the company.

Of course, managers should be asked to keep any pre-closing discussions confidential. In addition, because of the important role they generally play in the everyday operations of the business, some sort of commitment to stay with the company for a specified period of time is desirable.

Bringing the Employees Together

Once the key managers are placed and their support is behind the acquisition and a business plan developed (with their inputs) is in place, the next step is to seek the cooperation of the employees. The remaining employees must be convinced of the business need for any planned changes. They must also be brought into the planning process whenever possible. To achieve this goal, effective communication between the buyer and the employees is critical. The buyer should meet with employees the first day that the company is taken over to explain the business plan, including the action steps needed to achieve its objectives.

The buyer should let employees know what is expected of them, including whether their work processes will be changing or whether changes in productivity or performance parameters, would be required.

The prospects for the future should be clearly defined, including any incentive plans and expected layoffs (it is recommended that layoffs are avoided by the buyers). During the transition, it is critical that the buyer is available and accessible to employees and speaks at their level.

'Frequently Asked Question & Answer (FAQs)' sessions must be held along with circulation of written communication addressing the staff at large. It may be a good idea, for example, for the members of the buyer's management team to associate themselves with employees for a few days to better learn the details of business as well as build

a rapport with employees. When employees feel free both to ask questions and make suggestions, morale and productivity are generally affected positively.

Having A Coherent Post-Acquisition Business Plan

One of the most effective tools for mitigating employee backlash is a well-communicated post-acquisition business plan – a well-designed business plan, that includes the inputs of the management team that has been retained. Let employees know where they stand.

The buyer's goal should be to enter the seller's company on the date the transaction closes, with a clearly identified plan for running the business and improving profitability. The post-acquisition operating plan should detail strategy and identify markets and performance goals while placing deserving employees in key positions.

Employment-related complaints are consistently more prevalent in unstable industries, and mergers and acquisitions create legal liability that requires extra preventative measures. The fact that the organization has gone through an acquisition and/or merger puts it in a higher risk category for harassment and/or discrimination complaints. Acquisitions and mergers create stress for everyone, not only can they create fear and rivalry, they can lead to inappropriate workplace behavior. In order to prevent a failure of any action we must ensure that:

- The correct and true picture is shared with all employees, as action speaks more than words – and everyone is intelligent enough to judge and feel the change. One must share the truth before circumstances and passage of time, create the grounds for people to become suspicious, defensive and angry.
- The senior managers and officers take care of the feelings and emotions of people – their aspirations, needs, and apprehensions.
- Any new opportunities for employee growth and advancement are well publicized.
- New rules are clear and transparent from the start. A merger and/or acquisition are an opportunity to assess and revisit developmental needs, policies, procedures and other human resource systems and processes. Advantages of such opportunities must be utilized.

Buyers who learn and understand the seller's business, develop an effective business plan with the aid of key managers, and build strong working relationships with the employees typically realize more success in making the acquisition profitable and the transition smooth.





The downturn may have been started by Lehman Brothers but it ends in your mind when you accept it.

If becoming a success were easy, everyone would do it. It isn't. They don't. As a follower of the Action Principles, you can. You can develop winning habits while identifying and working to eliminate your bad habits. Be patient. Psychological studies have shown that it takes about 30 days to begin to form or begin to rid yourself of a habit.



OUR OFFERINGS

Individual Effectiveness

- Communication Skills
- Presentation Skills
- Time Management
- Workplace Etiquette
- Assertiveness Skills
- Influencing Skills
- Work-Life Balance
- Transactional Analysis
- Human Process Labs

Functional Effectiveness

- Negotiation Skills
- Selling Skills
- Interviewing Skills
- Problem Solving & Creativity
- Conflict Management
- Customer Relationship
- Perf. Feedback & Counseling

Organizational Effectiveness

- Culture Building Workshops
- Competency Management
- Balanced Scorecard
- Basic HR Training
- Advanced HR Skills
- Compensation & Rewards

Leadership Development

- Basic Leadership
- Facilitative Leadership
- Transformational Leadership

Signature Programs

- Winning Habits of Effective People
- High Performance Teams
- Silver Screen-Management thro' movies



What do you see?
By shifting perspective you might see an old woman or a young woman.

The ideas in Covey's book are what we've all been trying to formulate for ourselves for years. We all have some of these habits in a hit or miss fashion, and now with Covey's chart as a roadmap we can buckle down and try to adopt these habits more consistently. We've gotten far enough along this road to see that this is a pretty good description of the philosophy.

If everyone we work with adopted these habits, we'd achieve a lot more and would have a better time doing it. There's no downside, either; these are ideas that make one a better human being who can get more done on all fronts.



WINNING HABITS OF EFFECTIVE PEOPLE

Being effective is learning to do 'that which produces the desired result'. If you want to be extremely successful in business or very happy in life or achieve some large goal, then being effective is consistently *doing* the things that will bring about the results you are after. Perhaps the best overall prescription for becoming effective is contained within [Stephen Covey's](#) best-selling book *The 7 Habits of Highly Effective People*.

Covey's ideas are offered as a way to achieve one's personal goals, but the spill over into one's business life is unavoidable. These habits will unavoidably cause one to become a leader first of oneself, and then of others. Reading this book will not turn you into a manager against your will, but the inner direction these habits supply one do prove attractive to others who haven't yet achieved such direction. In other words, it'll make you a leader, not a manager.

To quote Covey quoting Drucker, "Management is doing things right; leadership is doing the right things."

As [John Walker](#) mentions, good executives lead, poor ones simply manage and should stick to lower levels of the company. But again, we're not talking about a pathway to getting large salaries and bossing around groups of people; becoming a leader in one's own life is the most valuable aspect of leadership; ability to lead others is a consequence you may choose to employ or not, as best fits your life goals.

To know more about our programs do write to us at contact@graymatters.co.in



Aristotle once said, "For the things we have to learn before we can do them, we learn by doing them." Experiential learning is learning through reflection on doing, which is often contrasted with rote or **didactic** learning.

Experiential learning focuses on the learning process for the individual.

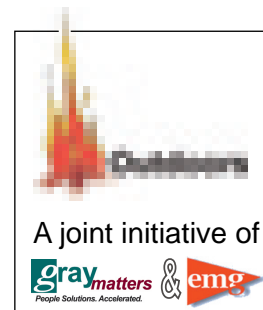
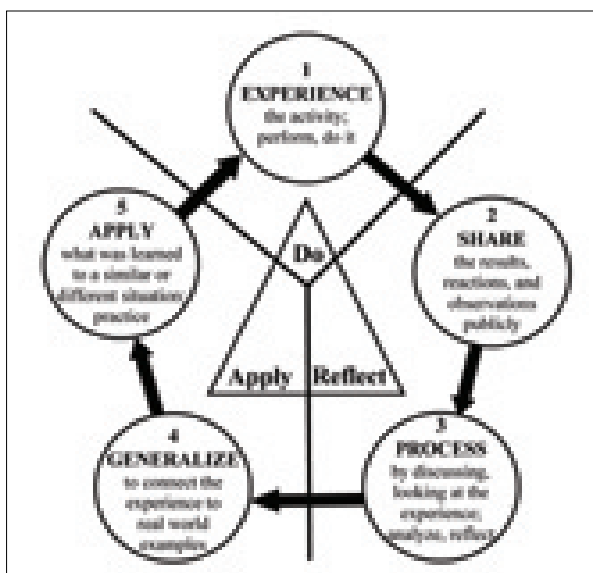
Experiential learning requires no teacher and relates solely to the meaning making process of the individual's direct experience. However, though the gaining of knowledge is an inherent process that occurs naturally, for a genuine learning experience to occur, there must exist certain elements. According to **David Kolb**, an American educational theorist, knowledge is continuously gained through both personal and environmental experiences. He states that in order to gain genuine knowledge from an experience, certain abilities are required:

- the learner must be willing to be actively involved in the experience;
- the learner must be able to reflect on the experience;
- the learner must possess and use analytical skills to conceptualize the experience; and
- the learner must possess decision making and problem solving skills in order to use the new ideas gained from the experience.

For the adult learner especially, experience becomes a "living textbook" to which they can refer. However, as pointed out, experiential learning can often lead to "mis-educative experiences." In other words, experiences do not automatically equate learning. The classic example of this is the lecture experience many students have in formal educational settings. While the content of the course might be "physics" the experiential learning becomes "I hate physics." Preferably, the student should have learned "I hate lectures." Experiential learning therefore can be problematic as generalizations or meanings may be misapplied. Without continuity and interaction, experience may actually distort educational growth and disable an otherwise capable learner. There are countless examples of this in prejudice, stereotypes, and other related areas.

Experiential Learning through reflection - Kolb's Learning Cycle

"Experiential learning takes place when a person involved in an activity looks back and evaluates it, determines what was useful or important to remember, and uses this information to perform another activity."



Tidal Wave



Rock Climbing



Burma Bridge

*Motivation Communication Leadership Commitment
Physical Endurance Facing Challenge Team Building
Overcoming Fear Problem Solving Trust Planning*



IS MATHEMATICS GOOD ENOUGH TO PREDICT STOCK MARKET MOVEMENTS?

Debkumar Mitra
 Director – Research & Development
 Derek O' Brien & Associates



What is it today mid-range, out-of-range or dangerously close to collapse? These and many other imponderables, including the frailty of human action, cloud a man's thought on the New York Stock Exchange floor when he raises his hand and makes a booking, or, maybe he does for the heck of it. In this melee of noises, hands going up and fortunes entangled in a deadly game of risk, Wall Street comes alive; Warren Buffets add to their swelling equity and suicide notes pile on the coroner's table.

Can mathematics — the only discipline till date that has attempted to understand chance — help reduce risk and make a stock player wealthy? Is the stock market just one big chaotic system, or is there some kind of trend that it follows? And if so, what are the factors that are involved in causing trend lines? Well, one is sure that the financial analysts will not like this, for all the graphs, charts, data, brilliant sparks and playing around with statistics, the answer is no. Or, if you are like Blaisé Pascal, you can modify your answer and say 'probably no'. The window of opportunity that the word 'probably' opens, lures millions to lotteries and Las Vegas casinos. And most of them do not realize that the die is fatefully loaded against them.

One of the biggest problems that plague future prediction by constructing mathematical models is impreciseness of data. One of the favorites of mathematical modelers of such constantly changing systems such as stock market is non-linear dynamics.

Stock prices during normal economic conditions fluctuate very mildly from day to day.

Many aspects of society influence prices: political cycles, seasonal trends, consumer tastes, foreign exchange patterns, overseas activity, and many, many others. With all of these factors affecting the market, it is difficult to find specific trends since so many factors are acting upon the market. All of these factors are collectively referred to as 'noise'. Some amount of noise is always assumed and can make it difficult for analysts to develop exact mathematical models for the stock market.

Ever since Pascal, along with Pierre de Fermat, came up with the idea of probability, the mathematics of chance, the lure to model and minimize risk in gambling situations, stock market may be viewed as one such situation mathematically, attracted many.

Almost 100 years ago, successful mathematical exploration into whether investors can successfully forecast stock prices began, when Louis Bachelier, a young French mathematician, completed his dissertation titled 'The Theory of Speculation' for the degree of Doctor of Mathematical Sciences at the Sorbonne. This outstanding, seventy-odd pages-long work, by the student of legendary French mathematician Henri Poincare, is the first theoretical effort to explain why the stock market behaves as it does. Bachelier supported his novel theoretical analysis with a

sophisticated study of the French capital markets during his time.

Even while writing his mathematical tour de force Bachelier feared that it would be well nigh impossible to make an exact prediction. He wrote, "Past, present, and even discounted future events are reflected in market price, but often show no apparent relation to price changes.... [A]rtificial causes also intervene: the Exchange reacts on itself, and the current fluctuation is a function, not only of the previous fluctuations, but also of the current state. The determination of these fluctuations depends on an infinite number of factors; it is, therefore, impossible to aspire to mathematical predictions of it.... [T]he dynamics of the Exchange will never be an exact science. (English translation from *The Improbable Origins Of Modern Wall Street* by Peter L. Bernstein)"

It is another story that a fatal flaw was detected in the young French mathematician's work and he was soon forgotten. This work resurfaced in the 1950s and since then it has been a cornerstone, or curse, to long-term stock market predictions. The mathematicians were looking for an elusive framework, based on Bachelier's work, to minimize the cost of 'speculation' on the floor of stock market.

The part two of the prediction drama began in the early 1970s. Bachelier had realized that stock prices moved at random and that it was impossible to make exact predictions about them.

He said to have found a solution by the introduction of a 'financial contract' called an 'option.' The French mathematician did not leave any mathematical 'formula' to determine the when and the how of this option. He died with the belief that some day someone could discover a formula that would allow option contracts to be widely used, one would be able to 'do away risk' from markets completely.

What is this risk involved in investing in stocks? Suppose you buy a stock today and from tomorrow the prices start to fall and your bank balance starts to dwindle. It is almost pulling a slot machine handle; the shower of coins may or may not happen. Now you can minimize your losses by getting into an option contract with a broker, this gives you the right to wait and buy the stock if it reaches some agreed price in the future, but there's no obligation. If the stock fails to reach that price you can opt out and you would lose only the cost of the option. The question is: How much does one pay for such a contract? After all, it has to be win-win for both parties.

In 1973, Myron Scholes, Fischer Black and financial expert Bob Metron announced to the world that they have found an 'elegant formula' for pricing options. The announcement generated a fantastic response similar to the one that Gina Kolata article in New York Times of Judah Folkman's 'cure for cancer' evoked. And maybe more. Scholes, the Frank E. Buck Professor of Finance, Emeritus, at the Stanford Graduate School of Business and Merton of Harvard Business School shared the 1997 Nobel in Economics for a formula that take away, or, put gently almost, risk.

The formula could be used to hedge against losing any bet, by working out how to place another bet in the opposite direction. That way, you couldn't lose. Scholes and Black got stuck here. Then Merton came to the rescue. The value of an option, he said, could now be constantly recalculated and the risk eliminated continually. With mathematics on their side, Scholes and

Merton plunged into Wall Street launching Long Term Capital Management Company.

But the mathematical model was based on normal market behaviour and after a dream run the company was into a financial crisis.

The formula did not work when markets behaved abnormally. Without getting into a case study of their company one could safely say they were done by Bachelier's Curse.

What all investors like to know is a formula, even if that is an approximate, that would tell them how a stock is likely to behave over a time interval. Sometimes, the so called 'technical analysis' helps but that also has its flaws. No wonder, during the time of a crash people simply look towards stars and astrologers make a killing.

Mathematicians are naturally attracted towards this complex system as it allows them to interpret the complexity in number terms. However, till date not a single formula is robust enough to stand the test of random stock market behaviour.

Many economists believe that the price of any individual stock on a given day is determined not by some formula, but purely at random. In a famous book, *A Random Walk on Wall Street*, Burton Malkiel argues that stock prices cannot be predicted from one transaction to the next.

If you were simply to record pluses and minuses consecutively as transactions take place, you'd find that you can't predict the next movement from the previous one, he says. So, where all this takes us? Put in your money in good, robust and performing company stocks and hope these companies continue to do well in the long term, in stock market terms 'stay invested'.

Debkumar Mitra is an Applied Mathematics major from Jadavpur University. He started his career as a researcher in Mathematical Biology and then had a long stint in Science Journalism with The Statesman and The Telegraph. He is a Gordon M. Fisher Fellow from the University of Toronto, Canada studying narrative films and impact of digital medium on communication. He has led the team that created the Penguin India Yearbook and the Penguin-CNBC Business Yearbook. He has published two books with Penguin – "Mindstretch" and "Mad, Mad, Mad world of Elections". Debkumar is also a consultant reference editor with Penguin. In his current stint he has designed soft skill courses for children and invented a Mathematical tool to measure relative knowledge.

Did You Know



- The first wristwatch to be worn for a cross channel swim was a Rolex Oyster. Hans Wilsdorf, the founder of the Rolex company wanted to demonstrate that the world's first waterproof watch (1926) really was waterproof – it was!
- The first watch to be worn on the moon was an Omega Speedmaster Chronograph worn by Neil Armstrong in 1969.
- The idea of 'tipping' waiters is said to have originated in the English Coffee houses, where boxes were provided for gratuities, marked, "To Insure Promptness" (TIP).
- The word 'salary', meaning a regular wage, derives from the salt rations, or salarium, issued to Roman soldiers and civil servants. When money began to be paid instead of the salt ration, the allowance kept the same name.



ZENITH: PERFORMANCE MANAGEMENT SYSTEM

Zenith = Pinnacle. It refers to **Z**eal and **E**Ndeavor **I**n **T**ranscending **H**eight.



About TIL

TIL Limited (formerly Tractors India Limited, established in 1944) facilitates responsible nation and community building. The company provides a wide range of sophisticated state-of-the-art technology equipment across a number of sectors, terrains and applications. TIL complements its service with after-sales support that makes it possible for the customers to excavate & mine coal and metal ore, create infrastructure, handle cargo and generate power with speed, safety and sensitivity. TIL is a young (average age 38) and professionally competent organization of 1156 employees out of which over 80% of the people are engineers by qualification.

Knowledge Resource Management

At TIL, the HR department is known as Knowledge Resource Management. The diversity of our workforce in terms of a comprehensive mix of academically qualified talent pool is amply reflected in the technical competencies sourced by us to compose our versatile human resource base, or more appropriately, knowledge resource base. Hence the human resource management in this technology intensive environment is actually Knowledge Resource Management.

Our performance philosophy

At TIL contribution of each employee is valued. The performance management system and process have been designed to help employees plan and streamline performance in line with corporate goals. It also helps capturing and identifying top performers in the organization with the objective of creating a performance focused and meritocratic institution. It focuses on performance assessment along with potential assessment to enable individual development.

The evolution of performance management system in TIL

TIL was incorporated in 1944 and it was the attempt from the beginning to create a performance driven culture. The system till 2000 mainly focused on measuring Key Result Areas and achievement of financial targets. The concept of behavioural assessment was introduced post 2000. In 2004, for the first time, the bell curve method was adopted for Performance Rating linked with the performance of the organisation. It was during the same period when General and Managerial competencies were defined and assessed in performance appraisal. The concept of Forced Rankings came into effect from 2007. Till 2007, performance appraisal was conducted during June and increments were announced thereafter. .

From 2007 onwards, a modified Performance Management System – ZENITH was introduced based on balanced scorecard method . A Competency Dictionary for the organization was created and the competency matrix for each level in the organization was generated. Such matrix was linked to the potential assessment of the individual and formed a basis of career progression within the system. The Performance Appraisal period and the Reward linkages was changed to April .

ZENITH – the current PMS in TIL

Zenith is based on Balanced Scorecard Methodology. The rationale for development of the Balanced Scorecard has been generated from the fact that all other performance management systems consider only the financial measures as parameters of Performance, which takes a short term and also a Post Mortem view of the situation. The combination of 4 quadrants – Financial, Customer, Internal Business Process and Learning & Growth provides a balanced view of the organisation's performance translated from the strategy, At TIL we have considered Balanced Scorecard till Head of Departments level and have cascaded the essence till the entry level through KRA based system.

The Terminologies we use for operational purpose are - *Financial, Operational, Customer, Capability Development*. It is linked to our Strategy execution model. It has provided us a system to better assess our performance, as it has enabled us to track the financial results while simultaneously monitoring progress in building capabilities and acquiring the intangible assets required for building the organization for tomorrow.

ZENITH Communication

Success of any initiative is dependent on the reach of the initiative and its acceptance . Communication plays a major role in this aspect. A ZENITH Handbook has been created and circulated to all employees for their easy understanding and a ready reckoner. Twice a year Workshops are conducted on " How to Give and Receive Feedback" . The KRM team travels widely across 45 branches four times a year for holding workshops on Awareness of ZENITH and the process of appraisal and also communicates the Reward Linkages. Moreover various in-house Newsletters and communiqués are utilized to increase awareness .



ZENITH Process

At the end of the last quarter of the previous financial year the Corporate Scorecard for the next year is framed and based on which SBU wise scorecards are created. Individual Goal setting process takes place at the beginning of the Financial year. The Performance Appraisal is a bi – annual process. The Performance Appraisal process covers both performance assessment and potential assessment. It is a two step process where Appraiser’s assessment and Reviewer’s assessment / review is conducted.

The Appraisal covers the following aspects – KRA Achievements along with the critical incidents which enables an Appraisee to mention other achievements not covered through KRAs set. Similarly in Potential Assessment , scope is provided to mention Critical Incidents related to behavior which has direct impact on performance . A section called Individual Development Plan is provided for, which captures the Areas of Improvement, Support Received from the Organization, Desired Additional Responsibility and Desired Competencies. Training is considered to be a performance enabler in TIL, hence detailed training requirement is captured in the Appraisal Form, including time frame (Technical, Behavioural, Others). Through the Form employees are categorized in various segments of performance to ensure career growth.



ZENITH - The road ahead and challenges

Keeping in mind the fact that every creation must be modified continuously with practicality to save it from obsolescence, during 2008-09, we have further refined the system by focusing on the efficiency of the Goal Setting process. The objective had been to link every employee to TIL Strategy. Most significantly we have shifted to an ERP based system for easy and convenient access of all employees. The feedback and rating calculations starting from the annual appraisal will be through the ERP. The challenge here was to convert the non balanced scorecard based standard ERP solution to the balanced scorecard based Zenith system. Next challenge is to drive the ERP based solution across the organization, where most of the workforce is based at remote locations with little or no network connectivity.

Going forward, TIL aims to be driven totally by balanced scorecard based ERP model where the performance of individual, function, SBU and organisation will be constantly monitored and fine tuned through various performance indicators and dashboards.

To conclude we would like to say that at TIL we believe: *“Champions do not become champions when they win the event, but in the hours, weeks months and years they spend preparing for it. The victorious performance itself is merely the demonstration of their championship character”*

What our people say about the Zenith PMS

“As an active member of Team TIL, it was my responsibility to complete each task in time so that you can complete your part of the task in time and release the Increment letters as per plan. Today I am happy that, my sincere work did not go waste because things have been done by your team as per plan. We have achieved what we wanted to achieve.”
- (Regional Head – Sales , East)

“Entire KRM Team deserves to be congratulated for achieving the Herculean and difficult task of collecting the Performance Appraisals, tabulating them and issuing the Letters within 26th April 2008 as set by our MD. In my 26 years at TIL this has never been achieved before.”
- General Manager (Parts Operations)

“This was a commendable achievement on your part preponing the increment month from July to April.”
DGM(Finance)

“Congratulations to you and the team for setting standards that will inspire the rest of the company to achieve what we commit to!”
General Manager (Service Operations and Projects)

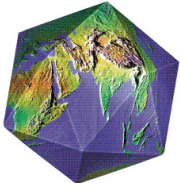
Zenith and its linkages

Performance linked incentive – at the end of the performance year, employees are eligible for payouts as per the variable pay scheme – depending on the ratings as per assessment in Zenith

Increment – the assessment scores also serves as inputs into the fixed pay increments at the end of the performance year.

Career progression/ Promotion – Career progression for the employee depends on the scores on performance as well as potential.

Training and Development – Training needs are identified from the individual development and training section.



WARREN BUFFET... IN CONVERSATION

If I have seen farther than others, it is because I have stood on the shoulders of giants

- Sir Isaac Newton

I came to know about the Berkshire Hathaway shareholder meetings when I started reading a book called *"A Weekend with Warren Buffet"* My second brush with the wisdom of Warren Buffet live, taking questions, on a range of subjects happened when I received an email by someone who has actually been in one of those meetings. In this article I am taking the liberty of sharing the experience of the person who was actually there, listening to Warren Buffet. It's an experience of a lifetime.

Having read about him, observed him and worshipped him for a few years now, I think it is reasonable to believe that this guy is exactly what he seems: a plain-speaking, tee-totalling man of uncrackable integrity who works really, really hard and sticks to his investing and management principles through boom and bust which makes him a freak of nature since he is above normal human tendencies. He is like a comet streaking through the heavens every 75 years or so.

Read on, its very interesting....

- Editor

What does it take to become a successful investor? Brilliance or Smartness?

Neither, Success in investing doesn't correlate with I.Q. Once you have ordinary intelligence, what you need is the temperament to control the urges that gets other people into trouble in investing.

When do you decide to invest in a firm?

The best thing that happens to us is when a great company gets into temporary trouble. We want to buy them when they're on the operating table. (Mr. Buffett bought Coke when it had its biggest fiasco after launching New Coke; he bought American Express when it went through a loss making phase in the early 60's)

Why do stock market crashes happen?

Because of human nature for greed and insecurity. The 1970s were unbelievable. The world wasn't going to end, but businesses were being given away. Human nature has not changed. People will always behave in a manic-depressive way over time. They will offer great values to you."

What do you look for in people when they come to sell their firms to you?

I don't look for the usual credentials such as an MBA, a pedigree (Harvard, Wharton), or cash reserves or market cap of their firm. What I look for is just a passion in their eyes; I think that's the key. A person who is hungry will always do well. I prefer it when people even after selling stay on and work for the firm; they are people who can't wait to get off their bed to get to work. Passion is everything; there is no replacement for innate interest.

Mr. Buffett, you told us that Berkshire Hathaway has \$ 45 Billion in cash. Why aren't you investing?

Up until a few years back I had more ideas than money. Now I have more money than ideas.

When do you plan to retire?

I love my job; I love it so much that I tap dance to work. Mrs. B, the founder of Nebraska Furniture Mark worked until she was 104, she died within 6 months of her retirement, that's a lesson to all my managers, don't retire! I personally am going to work 6-7 years after I die, probably that's what they mean when they say- "Thinking out of the Box"!!

What are the things that are taught wrong in Business School and the corporate world?

I like such open ended questions, I think Business Schools should refrain from teaching their wards about profit making and profit making alone. It gives a sense of one dimensional outlook to the young students that loss is a curse. In reality, in the corporate world, failure and loss making are inevitable. The capital market without loss is like Christianity without Hell. I think they should teach the student on how to buy a business, how to value a business? Not just on how to determine the price of a business. Because price is what you pay, value is what you get.

Do you still hate Technology stocks?

With Coke I can come up with a very rational figure for the cash it will generate in the future. But with the top 10 Internet companies, how much cash will they produce over the next 25 years? If you say you don't know, then you don't know what it is worth and you are speculating, not investing. All I know is that I don't know, and if I don't know, I don't invest."



How to think about Investing?

The first investment primer was written by Aesop in 600 B.C. He said, 'A bird in the hand is worth two in the bush.' Aesop forgot to say when you get the two in the bush and what interest rates are; investing is simply figuring out your cash outlay (the bird in the hand) and comparing it to how many birds are in the bush and when you get them."

How do you feel after donating \$ 40 Billion to the Bill and Melinda Gates foundation? You are a hero to us!

I feel nothing. I haven't sacrificed anything in life. I have had a good life. I donated after I turned 75. I think I admire those people who sacrifice their time, share their food and home, as the people to be emulated not me. Besides, what is money before a man's life?

What do you think are the pitfalls in donation?

I have never donated a dime to churches or other such organizations; I need to believe in something before I end up doing that. I have been observing the Bill & Melinda Gates foundation for years now and I am confident they will do a fantastic job of making use of the money. I am a big believer in Outsourcing, others believed in me as an Investor and gave their hard earned money to invest. I believe in Bill Gates, he is a better donor than me.

Why do you work from Omaha and not Wall Street, New York?

Wall Street is the only place where people alight from Rolls Royce to get advised by people who use the Public Transportation System.

You seem to be so well read, tell us how it all started.

My father was a stock broker, so we had all these financial books in our library. He introduced me to those classics and I got into them. I am lucky that my father was not a fan of Playboy! Reading is the best habit you can get. Well, you can learn from teachers too, and have mentors but there are so many constraints attached- they will talk fast, talk slow, they might talk like a pro or they might be terrible communicators. Books are a different animal altogether, I love reading! The beauty about reading and learning is that the more you learn the more you want to learn.

People who join Berkshire Hathaway seldom leave. How do you get along well with all your executives?

I try to get quality people. I always say - Hire someone in your organization who is better than you are. If you do that, you build a company of giants. If you get people worse than yourself, you build a company of dwarfs. And do not try to do everything yourself. Delegate the jobs and look out of the window. The results will come. That's how you build institutions. It happens only when you empower others, believe in others. I am an investor, I am very secured at that, I have no clue how to make Coca-Cola or how to dole out credit cards I understand the wisdom of the aphorism that you cannot please all the people all the time. Of course, you will always find qualities that you don't like in people around you, but if you observe carefully the love of the work unites you both. There is no point in being obsessive about a bad quality in a person, whom you otherwise respect.

You personally know many of the Financial executives who are engineers of the current turmoil in the financial world, surprisingly even after record losses, those executives receive astronomical salaries and bonuses and arrogantly declare that they deserve it, why don't you advise them from making such decisions and what's your view on their justification for their pay?

I like sharing my ideas but don't like imposing my ideas on anybody. It doesn't make sense and is a waste of time. If somebody has decided that they know everything that is there to know, nobody can help them. The best way to learn and succeed is to know that we know nothing. There is an entire universe out there and still some of us think we can know everything. In the world of investing a few people after making some money tend to imagine they are invincible and great. This is the worst thing that could happen to any investor, because it surely means that the investor will end up taking unnecessary risks and end up losing everything – arrogance, ego and overconfidence are very lethal. Personally I don't feel too comfortable with too much extravagance, because I always think like an investor. My thought process doesn't see a lot of value in a fancy car or a designer suit. Thinking like an investor always is very important to bring in a sense of discipline and focus. Before reading balance sheets and investing you need to make sure your outlook and mindset is that of an investor. Never let ego, arrogance and overconfidence control you - not just as an investor but also as a human being. You will never have internal peace if you are unable to look at everybody around you with love, compassion and understanding. Irrespective of who the person is, he or she can teach you something you don't know. I have learnt so much from people all around me and I wouldn't have been able to learn all these wonderful things if I had not spoken to them with a smile.

What is the one biggest advice you would impart to a young investor ?

Think for a moment that you are given a car and told this is the only car you would get for the rest of your life. Then you would make sure that your car is taken care of well, it is oiled and detailed every now and then. You would make sure that it never gets rusted, and you would garage it. Think of yourself as that car. You just get 1 body, 1 mind and 1 soul. Take care of it well. Invest in yourself that would be my advice.



The Art of Business: Make all your work a Work of Art
 - Stan Davis & David McIntosh

Four elements of new business thinking:

“See yourself as an artist.”

“See your work as a work of art.”

“See your customers as audience”

“See your competition as teachers”

“Mental” Meltdown

Where do you turn when the chips are down?

Is it a meltdown. NO.

It is only the dead leaves dropping down.

We are like our giant trees...well rooted, in full bloom.

Reaching for heavens, looking down...

We never slow, never let down.

OUR PARTNERSHIPS ... SO FAR...

HR On-Site

Well-defined HR systems and processes in a hospital! This is the new paradigm at a renowned Hospital in Kolkata where Gray Matters is engaged to evolve this paradigm by setting up a HR Function customized to the specific needs and ambience of the hospital. The process involves working on-site with the staff of the hospital – understanding the ‘reality’, designing the ‘changes’ and ‘hand-holding’ the transition and ‘handing over’ the completed set-up. In true clinical style, the intervention started with diagnostics – to understand the symptoms and manifestations of the organization’s systems and processes. The examination and diagnosis over – the line of ‘treatment’ is in process...

PACE i.e. *Process – Accountability, Commitment and Effectiveness.*

An infrastructure company with operations across India and on a growth path had all the systems that ensure performance – yet it was lagging behind in meeting deadlines and was suffering cost-overruns! To Gray Matters it appeared that the organization was afflicted with the malady of ‘ineffectiveness’ as a result of lack of accountability and commitment. Gray Matters therefore designed an OD intervention – called PACE – to correct and improve the organizational effectiveness. The initiative involved energizing all employees – starting from the top – and facilitating the creation of action steps to build a culture of ownership and performance commitment.

Performance Management System & Employees Communication Tools

Another infrastructure company with operations across India and headquartered in Kolkata, had an immediate requirement for putting in place a PMS that would promote a performance culture. Taking into consideration the fact that the company did not have any existing performance appraisal system, Gray Matters designed a simple performance template and then designed the appropriate policy guidelines for a performance management system. Thereafter Gray Matters facilitated implementation of the system through continuous guidance and monitoring.

Communicating policies to employees is an important need as it helps in clarity in understanding and implementation as well as builds transparency of processes. This company also engaged Gray Matters for creating Policy Manuals and Employee Handbooks – right from design and layout to content development – that have been appreciated for its utility as well as creativity.

Leadership & Team Effectiveness

A financial management company with operations across India and headquartered in Kolkata, had a concern about the leadership capabilities of its managerial staff, some of whom have risen from the ranks and have not undergone formal management or leadership education / training. Gray Matters carried out customized leadership and team effectiveness programs with classroom and outdoors exercises followed by conceptual lecturettes, for their managers, which were appreciated for the appropriateness of inputs, while keeping the program interesting and enjoyable.

Product Snapshot



An employer brand is a set of attributes and qualities – often intangible – that makes an organisation distinctive, promises a particular kind of employment experience, and appeals to those people who will thrive and perform to their best in its culture.

An Employer Brand is a powerful way to ATTRACT the type of employees necessary to build and support the organization's purpose; it also helps to RETAIN talent, and reduces the cost of turnover

What's (v-e-r-y) special about you?

- It is the internalized sum of impressions about an organization as a place to work.
- It represents an organization's core values, attributes and personality.
- It describes what it is about the company that delivers fulfillment and satisfaction to employees.
- It is a position that supports your company's corporate brand.
- It is a position that differentiates one company from another.
- It is the organization's "trust mark," what makes it unique, what it stands for, its personality.
- It captures the essence of a company in a way that engages employees.
- It communicates the employer brand promise, i.e. what's in it for the employee in the business relationship.

"Matters" which give us an "Edge"



Our Partners in Brand Communication



US | Europe | Middle East | Africa | Asia

- g Our specialty in the field of HR, Branding and Communication from wide industry spectrum.
- g Defining your brand identity and brand attributes.
- g Formulating the communication plan to deliver the right message to the right audience using the right medium.
- g Cost effective proprietary "D-Cube" model
- g Ability to align people and processes with brand attributes.
- g Discovering the relationship between the culture, the organizational identity and the 'image'
- g Defining the 3 key elements of employer branding – Identity, Promise and Message

OUR CLIENTS IN THE PAST ONE YEAR

Bharat Petroleum Corporation Ltd

CGPL (A Tata Power Company)

Dassault Systemes

Descon Limited

Eveready Industries India Ltd.

First Climate (India Operations)

Gontermann Peipers (I) Ltd.

Indian Chamber of Commerce

IXIA Technologies Pvt. Ltd.

ICICI Prudential Life Insurance

KDS Group (Bangladesh)

Kotak Securities Ltd.

Lafarge Surma (Bangladesh)

Mercy Hospital

Pepsico India

Siemens Limited

SKP Securities Ltd.

SREI Infrastructure Finance Ltd.

Standard Chartered (Priority Banking)

Subhash Projects & Marketing Ltd.

TIL Limited

Techno Electric & Engg. Co. Ltd.

VIP Industries Ltd. (Mumbai)

WHAT CAN WE DO FOR YOU?

DO YOU WANT TO SHARE?

WHAT DO YOU WANT TO READ?



If you need any information of our products and services, you can mail us and we will surely respond to you with adequate details.

If you have an interesting concept in your organization which you would like to share with the fraternity, do write to us and we will get in touch with you for details.

Tell us what else you would like to see in Gray Matters Quarterly and we will definitely try to incorporate your requests in our subsequent publications.

ORGANIZATION REDESIGN AND INNOVATIVE HRM

BOOK REVIEW

Ashok Som is Associate Professor and Chair in Management Area at ESSEC Business School, Paris & Singapore. He is the founder of the *India Research Centre at ESSEC*, Director of the Global Management Programs on Luxury and Retail Management (in partnership with IIM-A) and co-ordinator of the module *Managing International Business*. Ph.D from IIM-Ahmedabad, M.Sc and M.Tech from IIT-Kharagpur, and BSc from Presidency College, Calcutta, India. Ashok's three main research areas are in Organization Re-design, Innovative HRM and Innovation in Asia.

Ashok Som, director, India Research Centre at ESSEC Business School, Paris, in his recent book *Organization Re-design and Innovative HRM*, OUP (November 2008), says that firms need to re-design and align themselves with the environment in which they operate and especially during this financial downturn.

The demand for innovative HRM strategies and their role in a redesign process is contingent upon the external environment and derives from the strategic choice of the firm.

There are four types of environment political, economic, technological and social. Any change in any one of the elements can affect the way in which organisations operate. So, it is imperative that organisations re-design their strategies in order to align with the environment. During environmental upheaval such as economic downturn or hyper-competition innovative HRM practices like any context-generalizable

resource, have the potential to give an organization a competitive advantage in a globalized market.

Identification of these innovative HRM and redesign mechanisms is a critical factor for improving organizational performance. Hence, designing is an ongoing activity and all designs are merely transient states in this activity with respect to the environment in which the firm operates. The current economic downturn has led organizations to re-look in the ways organisations work. In fact, most of them are thinking of new strategies of operating in the market. But one has to understand that any drastic changes in the environment leads not only to threats but also opportunities. And these threats are for the short term while the opportunities are for the long term.

For instance, take the case of technology environment. The launch of Apple I-phone did change the way mobile phones operate and organisations such as Nokia, Samsung, Motorola did have to re-design their strategies with the I-phone in mind.

Each act of designing produces routines that generate systems about how the organisation in the designing process perceived and interpreted the system they were trying to influence. Therefore, with the economic downturn that has resulted from the systems that are today misunderstood and misperceived, it is very important for the firms to re-design themselves in keeping with the change.

At the national and societal level, a certain amount of variety must exist for adoption of innovations such that society as a whole surges forward, remains viable, and is competitive. This is particularly true when there is environmental turbulence such as economic downturn or when countries and societies themselves are in the midst of a rapid change. In the present scenario, an increasing number of companies will have to confront the essential question: *given the changing business environment, how do we redesign the organisation for superior performance?*

It has been observed from the Author's past study in the last ten years that the role of innovative human resource management (HRM) practices and its alignment with re-design mechanisms is probably the key to enhanced performance.

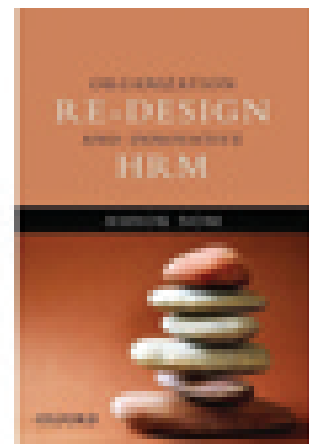
Identification of these innovative HRM and re-design mechanisms is a critical factor for improving organisational performance.

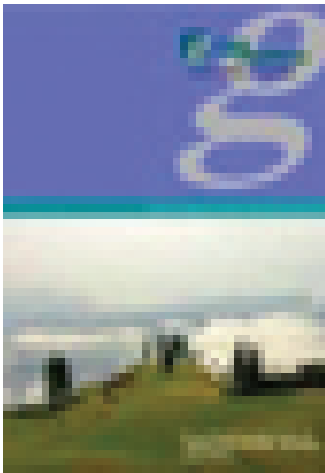
However, there are three main strategies to keep in mind while redesigning uncertainty or risk avoidance, differentiation in terms of recruiting people and delegation, and integration of various routines within the organization for more centralization and better span of control.

But all these need to go hand-in-hand. Especially during this economic downturn, the HR has to be even more prudent because employees either leave organisations or, even if they stay on, might suffer from lack of confidence resulting from uncertainty. In either of the case it is the role of the HR to instil confidence.

One way of doing it is by sharing information from top management to the employees and by effective managing the internal and external communication process. A very recent case in point is of Satyam Computers.

If the risks resulting from the environment, the delegation and the control cannot be effectively managed, it might result in crisis as it did with Satyam. The top management need to be extremely prudent regarding its decisions and its impact not only within the employees of the company but broadly within the industry. What needed to be built in decades might be lost in days. Here the role of HR can play a part as a strategic partner.





Over the past decade, a significant corporate change has been in progress. This global revolution, the new economy, refers to the new world of business that emphasizes people who are committed to new ways of working, living and growing.

In the new economy, competition is global, capital is abundant, ideas are developed quickly and cheaply and people are willing to change jobs often. In this environment, people and their skills and ideas are the prime resource, a resource that is becoming increasingly scarce.

Gray Matters comprises of consultants who understand the challenges that businesses face in attracting, retaining and motivating people in this competitive environment. We work in partnership with our clients to deliver people solutions which would help accelerate growth for the organizations, based on our knowledge of businesses and expertise in HR leading practices.

Our solutions and approaches unlock the full potential of an organization – and deliver real, measurable, substantial and meaningful business results.

Gray Matters, People Solutions offering helps clients realize the value of their people. We know people are your organization's greatest asset and we can work with you to discover and optimize their value. With our experienced consultants in India, we have the people, tools and methodology to handle your most demanding needs. We can scale our learning's to address virtually any assignment, from the simplest to the most complex. We offer the following services in the people solutions gamut:

Organization Vision, Mission & Values

Job Banding & Evaluation

Balanced Scorecard Design & Implementation

Compensation Strategy & Structures

Leadership Development & Transformation

HR Effectiveness

HR Communication & Branding

HR Governance

Implementation Support

Organization design and Mapping

Performance Management System

Competency Mapping & Assessments

Reward Strategies

HR Strategy formulation

HR Measurements & Audit

HR Operational Improvement

HR Technology enablement

HR for Family Businesses

For more information on Gray Matters, people strategy and human resource management and other offerings, visit our website at: www.graymatters.co.in

Our Key Consultants

Sanjay Roy Chowdhury
Managing Director
Gray Matters

Experience: Formerly **Associate Director** with the Human Capital practice in **Ernst & Young**. He was heading the Eastern Region and the SAARC countries. Over a decade and half years of experience with 8 years in E&Y and previously in Arvind Mills Ltd.

Consulting exposure in India, Bangladesh, Nepal, South East Asia and the Middle East.

Consulting areas: Visioning, Organization Design & Structuring, Performance Management System, Balanced Scorecard, Competency based solutions, Rewards Management, Compensation Management, Job Evaluation, Manpower Rationalization, Policies & Systems

Academic background: MBA from XLRI, Post Graduation from Calcutta University and Graduation from Presidency College.

Adhir Ghosh
Principal Consultant
Gray Matters

Experience: Formerly **Director HR** with the **Galana Refineries, Madagascar**. Has been associated with **Arthur D. Little** for organisational restructuring. Over 30 years of experience with **Bharat Petroleum**, Holman Climax and Shriram Group.

Consulting exposure: India, Bangladesh, Sri Lanka, South East Asia and the Middle East.

Consulting areas: Organization Effectiveness, Change Management, Leadership Development, Executive Coaching, Performance Management System, Balanced Scorecard, Competency Mapping & Assessment Centres, Training, Strategic HR and Marketing.

Academic background: One of the few professionally trained 'executive coaches' in India. He has been trained by **Sir John Whitmore** on the GROW model of coaching. He has also been associated with **Innovation Associates of Dr Peter Senge** for 'organizational transformation'.

Shruti Dhupia
Senior Consultant
Gray Matters

Experience: Formerly heading the Eastern Region (Additional vertical) HR Team for Max New York Life Insurance Company. Over 5 years of experience with Max New York Life Insurance and Scandent Solutions, Chennai.

Work exposure: Setting up systems and processes in HR, Staffing solutions, Training, Performance Management systems, Policy implementation, Rewards Management, HR MIS / Scorecard, Competency Based recruitment, Balanced Scorecard.

Industries worked with: Insurance, IT, FMCG, Infrastructure, Manufacturing.

Academic background: MBA in HR from IISWBM.

**BOUQUETS
& BRICKBATS**

Through this newsletter, we intend to bring to you "interesting stuff" from the world of business, nationally and internationally. Please send in your comments and critique on the newsletter. We would like to improve with your suggestions and make this newsletter a "better read". Send your mail to contact@graymatters.co.in

“
*Why do you want to
climb Mt. Everest ?!*
Because it is there”

Sir George Leigh Mallory



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