

## What A CEO Should Do?

Jamshed J. Irani

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***This article is the speech delivered by Dr. J. J. Irani to the inaugural batch of Executive Post Graduate Program Participants of Indian Institute of Management Indore in the Management Meet at Mumbai on May 21, 2010.***

You may have noticed that in the introduction given just now, it was clearly apparent that I have never attended a management school. However, over the years, I have become the chairman of the IIM, Lucknow, before that of the XLRI in Jamshedpur and I am also connected with some other management schools in India and abroad. So, as time goes on, it would appear that not having attended a formal course in a management school is an advantage rather than a drawback in future associations with management schools!!

I realise that some of you, if not all of you, are or would aspire to be chief executives in your own careers one day.

My simple advice to you, if you are considering whether to become a CEO or not, would be that you should follow your heart. In your mind you would realise what are the various alternatives open to you, and then you should follow your heart and do what you would like to do.

Many years ago, when I was appointed as the CEO of Tata Steel, I wrote down on a piece of paper what I as CEO would like to achieve and do.

- *Develop a personal vision - What I want to accomplish in my life.*
- *Tell the truth about the current reality.*
- *Do the tough things no one else wants to do.*
- *Restructure the TOP TEAM, if necessary.*
- *Build a powerful guiding coalition - management and board.*
- *Guide the creation of a shared VISION.*
- *Take the responsibility of being the main change agent.*
- *Create endless opportunities for two-way communications.*
- *Create opportunities for innovations in the rank and file.*
- *Maintain focus.*
- *Realign HR systems; overcome obstacles.*
- *Model the desired managerial behaviour - above all maintain CREDIBILITY.*
- *Preserve the core values of TATAs (and my own).*

Let me delve on some of these issues.

The very first point that I want to make is that you have to decide on a personal vision, what do you want to achieve in your life? Different people obviously have different objectives. For example, if you want to become a multimillionaire, then do not try to join the Tata group!! However, if you want the respect of the world and be known for your contributions to the community and society, then the Tata group would give you a home through which you can achieve such ambitions.

Also, a CEO's position demands the respect and support from a very large number of employees; in other words, you have to be a LEADER. In real life, only a few specialised individuals, such as musicians, artistes, sculptors and the like, can achieve success through their individual brilliance. Leaders, on the other hand, need the support of their followers if they are to achieve their goals and ambitions. Therefore, I have always believed that to be a team player is extremely important for the success of the organisation. The "team" (**T**ogether **E**veryone **A**chieves **M**ore) is far more effective than a bunch of brilliant individuals.

Some people feel that their future and their careers can be decided upon sequentially, one step at a time. I think that is a wrong approach. One has to make up his mind early in life what he or she wants to do, and then draw the career path in their mind, and work strenuously to achieve it. Whenever I talk on this subject, I am reminded of a story, a wonderful story of 'Alice in Wonderland'. I do not know whether the younger generation now reads it. I refer to that part of the story where Alice comes out of the woods and sees several paths before her. She asks the Cheshire cat sitting on a tree on which path she should tread. The Cheshire cat replies that the path she chooses depends on where she wants to go. Alice replies that she does not know where. So, the cat advises Alice that she could take any path because all the paths lead to some destination if she travels on it long enough. Obviously, this is not the attitude that you need when you are embarking on a career. You should know exactly what your objective is, and then walk assiduously on the chosen path, till you reach your destination.

Such a clear objective is necessary in family life, your personal life in addition to your professional life, and in each case, your choice should be guided by what you feel in your heart is the right thing for you to do. You must have a personal vision, and this is something which I learnt from the late JRD Tata who very often used to discuss with me what Tata Steel should look like in the future. Taking a quotation from George Bernard Shaw : Some people see things as they are, and ask "why"? I dream of things that never were and ask "why not"? This out-of-the-box thinking is extremely stimulating for fresh young minds, which have not yet been bound - even involuntarily - by their environment. So when you are developing your own vision, I would strongly advise you to think out of the box, not what your father will think you should be, or what the prime minister of the country is exhorting you to do!! Decide on your own what you want to do.

The second point that I want to make as a CEO is that you have to tell the truth about current reality. Politicians make promises which are almost always broken!! CEOs have to greatly improve upon that record!! You have to tell the truth as you see it because only then the multitudes will follow you. Please remember that the leader cannot achieve anything

on his own. He can be successful only if his followers help and support him, and they will do so only if the leader exhibits that rare quality of CREDIBILITY. His followers must be convinced that what he is saying today is what he truly believes in, and that tomorrow he will do what he is saying today. Followers will do their leader's bidding if they know that he is speaking from his heart. So, tell the truth as you see it. Sometimes you have to convey an unpleasant truth, but if this is done with sincerity, the people will respect you and accept your decisions.

If you have to choose between respect and popularity, as far as I am concerned, there is no choice: it has to be respect every time!! If you can evoke respect and popularity simultaneously, then that is obviously the best combination; but it is usually very difficult to achieve. Sometimes maybe the two can be combined, but at most times, it is respect that has a longer-lasting value than popular decisions.

So, a CEO must be prepared to speak the truth as he sees it at that moment of time. Of course, it is possible that he is occasionally wrong, and when he realises his mistake he has to alter course, accept his mistake and lead his followers in the new direction which has emerged due to changes in circumstances. That is how leaders develop and are accepted by their followers.

A CEO also has the responsibility to do the tough things no one else wants to do!! One of the American Presidents in the recent past had a paperweight on his table which said "*The Buck Stops Here*". Every one, at his own level, must decide which buck stops at his table!! It is a popular practice to keep pushing the buck up, but that is not the quality that CEOs are made of. Usually, unpopular decisions are pushed up, but true leaders realise that problems are not solved by pushing them up to the next level. People will accept even tough and unpopular decisions if they are conveyed with grace and sincerity. Decisions have to be fair and based on principles and merit, and not on the basis of personal relationships and closeness to the affected parties, what we in India commonly refer to as "*bhai-bhai*" decisions.

You have to face the consequences and take the responsibility of the outcome of your decisions. A true leader would not attempt to deflect the blame of his actions on to someone else.

The qualities that I have spoken of up to now are generic, and these apply to all leaders in all walks of life. However, some of the points that I have presented in my earlier list are specific to certain conditions faced by some leaders in certain situations. I do not know how many of you remember those days in early 1990s when Tata Steel went through a certain amount of turmoil. At that time, it was necessary to restructure the top team, and when a restructuring becomes necessary, a leader has to be quite ruthless. Trying to be everyone's favourite is not a way that is conducive to effective operations, and the structure, if necessary, has to be clearly changed and aligned to the needs of the organisation.

If the organisation is such that you need to take tough decisions in the restructuring exercise, it may mean that some of the members might leave and you have to be prepared for

such consequences. It has happened many a time in my career where I had to take a decision and restructure the top team, and the organisation came out to be healthier than it was in the past.

In the corporate world it is very important to build a powerful guiding coalition between the management and the board of the company. Unfortunately, in India it is very often felt that the "Board" is something up there in the sky somewhere, which will visit the company once in 3 months and make some pronouncements and then the CEO can carry on with the job in a manner that he thinks is best. I would like that impression to be corrected. The relationship between the CEO and the board of the company is very, very important, and it is my strong belief that the position of the chairman of the board and the CEO should be separated. In all Tata companies we have handled this separation very successfully. Recent publications in the international business press show that this view is gaining ground, and now more and more corporations have a non-executive chairman and a CEO - separate entities. In India also this trend is growing, and the legislation now under process with the government may accelerate this trend.

Mr Ratan Tata, for example, is not the CEO of any Tata company, but he is the non-executive chairman of several companies, and he and his CEOs get along very well. I am not claiming that there has never been a difference of opinion. That would be sad. In any healthy operation, there must be differences of views, and the successful organisation learns to discuss these differences openly and then arrive at a consensus which is best suited for the organisation as a whole.

The next point that I would like to put before you is that when you are in charge of a company, the vision that you have cannot be something which you can dream up in one day. It has to be a shared dream. The people in your organisation must believe that they have contributed to that shared dream and you have to give them the opportunity of participating in that journey. In the mid-1990s, we in Tata Steel decided that we must formulate a vision for the next 5 years or so. After we achieve that vision, we would move on to the next one. To formulate the vision we had consultations covering the width and the depth of the company over a period of several weeks. Everyone was enthused, and they gave their own version of what the vision should be. After extensive discussions it was ultimately left to the CEO (which was me) to distil the thoughts of thousands of persons into a few simple lines. I wrote out a vision when I was totally inspired and did not have any distractions; and it took me less than an hour ultimately to pen those four sentences. The company achieved that vision after 5 years, by the turn of the century, and then it was time to draft out another vision.

That Vision was:

*"Tata Steel enters the new millennium with confidence of a learning, knowledge based and a happy organization.*

*We will establish ourselves as the supplier of choice by delighting our customers with our services and products.*

*In the coming decade, we will become the most cost competitive steel plant and so serve the community and the nation.*

*Where Tata Steel ventures .... Others will follow"*

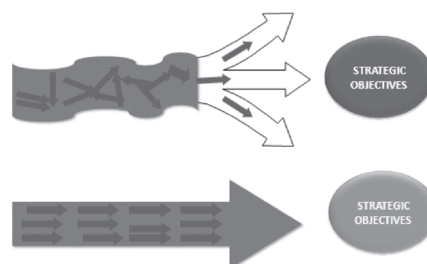
The CEO must be at the forefront of the change process, and must lead the change. The attitude should not be that I would like to change but not today, or maybe others have not changed and I will wait for them to change, before instituting the change in my own company. If it is necessary, change must be introduced and it must be led from the top. The leader must give time for the movement, and he cannot delegate this process down the line.

I would now like to mention that communication is extremely important through the entire organisation. It must be a two-way communication process, and the leader has to create endless opportunities to communicate to his teams and also to listen to them. When I took over at Tata Steel, we had almost 80,000 employees. I had to show my face to all of them and also to hear their views. Now we have e-mail and other I. T. devices, and it is far easier to communicate with all the employees. But in the early 1990s this was not so, and it had to be face-to-face communication. Also, there is a difference between hearing and listening. A leader has to listen to the views that emanate from the length and breadth of the organisation. So, it has to be a two-way communication, not just a monologue from the leader to his legions.

The future growth and success of the organisation depend very much on the innovative spirit which has to be engendered in the entire team. The antennas of everyone in the organisation have to be tuned in to the fact that we may not be able to survive if we were to continue as we have been doing for the past several decades. Purposeful change is extremely important, and if an organisation stands still, then remember the story of the hare and the tortoise !! - others will pass you by.

With all the things which the CEO has to do and drive, it is very easy to lose focus. Focussing on the core activity of the organisation, doing what it knows best is extremely important. Very often in the guise of diversification, focus is lost, and then the organisation itself loses its path. Once again, it is the responsibility of the CEO to maintain focus even as he looks around for profitable avenues into which the corporation could invest, as long as these investments are in line with the main objectives of the corporation. Another important responsibility of the CEO is to align his troops, all marching in the same direction.

#### Alignment of All Initiatives



The above diagram indicates that in any organisation there are bound to be persons with diverse views: some intentional and some by accident. The CEO has to move all his resources in the same direction, much like a coil carrying an electrical current wound around a soft iron bar. The coil aligns all the magnetic poles in the same direction, and the CEO has to play the role of the coil. Only if all the troops march in a unified manner in the same direction can maximum progress be achieved in the shortest possible time.

In my experience, in any organisation, there will always be approximately 10% of persons who are interested in moving the team towards a position from which change can be successfully implemented. The vast majority, almost 90%, are those who sit on the fence and wait for the others to march. If the others start marching, they will also jump into the fray and move in the right direction. Of course, there are always 1% (or even less) who are mischief mongers and who do not want to see progress. They may try to inhibit the movement of all the others. It is very important that these inhibitors are identified and coaxed into joining with the mainstream. If, out of mischief, they do not want to join in the movement for change, they have to be suitably advised, and after given ample opportunities to mend their ways, if they still persist, unfortunately, they have to be removed from the scene. Otherwise for the sake of a very few persons the whole organisation will not maintain its movement towards success.

If I have to pick one quality which the leader must have - just one - then I would name that quality as "CREDIBILITY". Of course, CEO must be a change agent, of course he must be bright, of course he must be knowledgeable, etc., etc., but if I have a choice of just one quality, it must be credibility (something which most of our politicians seriously lack!!). Obviously, the leader has to walk the talk, and all his actions should be towards achieving that objective. That is credibility. That one quality all leaders must have. It takes time to establish credibility, and it can be lost in the twinkle of an eye, lost with one stupid action.

I think I have spoken enough, and I will end with the message to all of you that I wish you well and I hope that one day you will be leaders and your organisations and India will be proud of you.

### **Author's Profile**

**Dr. Jamshed J. Irani** is the Director of TATA Sons Limited and is the Chairman of the Society and Board of Governors of IIM Lucknow. He served Tata Iron & Steel Company Ltd. for about a decade as the CEO and was instrumental in transforming the company. He has received many national and international awards for his contribution to industry.