

and value proposition is driven hard in its tag line and business statements.

To make the vision comprehensive, it could include people and articulate their values into the **vision**.

Mitsubishi Materials Corporation, Japan

All employees sign off their emails with the vision statement, which is given below.

“We will become the leading business group committed to creating a sustainable world through materials innovation, with use of our unique and distinctive technologies, for People, Society and the Earth.”

The **vision** is comprehensive—it has a **Larger Purpose**, serves people and planet (larger good) and addresses people.

CHAPTER 4

Organisation

Evolution – The Journey to Excellence Unmasked

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Thirty-five years ago, Sandeep Kothari’s father Kantilal Kothari set up a factory to make auto parts for the fast-growing automobile market in India.

For the first 15 years, the company grew quickly. Senior Mr. Kothari put his life and soul into the business. He picked very loyal people to head crucial functions, got consultants from Japan and was almost obsessive about maintaining quality standards. In short, he made sure that the venture was a success.

Much later, as he lay on his deathbed, he had called his son and told him, “Whatever you do, never let the employees and the company down.”

When his father died soon after, Sandeep, armed with an MBA from the US, took over the company.

Four years later, Sandeep was a worried man. He had realised soon enough that it was a tough business. With newfound respect, he wondered how his father had managed all those years.

The company still made components for the automobile industry and chugged along, growing at 8–10% annually. But Sandeep was concerned. While the auto industry was seeing unprecedented growth, vendors such as himself were being squeezed on margins.

His largest customer had decided to hold prices and make money with volumes. His OEM customer convinced the parts' manufacturers not to increase prices, promising them more business when the company grew. The OEM did grow, but Sandeep did not get more business because, by then, the OEM had decided to develop more vendors to get better prices and spread its risk.

Frustrated, Sandeep toyed with the idea of selling off the company. On the one hand, he did not want to let his father down. On the other, business was becoming tougher. Chinese and Japanese auto parts companies were setting up factories in India and adding to the competition.

He had other challenges. His key managers, who were much older than him, didn't take his suggestions seriously. They resisted all efforts at modernisation and automation and continued to work the same way as they had in his father's time.

The union fiefdom was strong. Sandeep had tried to bring in a performance-based incentive system but failed. The union wouldn't settle for anything but a mandatory increment of 8% for all every year.

Sandeep's dream of moving into aerospace components manufacture, where margins were better, had yet to take off. It wasn't very difficult to modify the existing factory and machines. The real challenge lay in changing his team's mindset.

His people were suspicious of any change that he proposed. New HR managers rarely lasted beyond six months. The sales and marketing teams were reluctant to sell to new customers. The production team was not geared to innovate. Overall, the company was content to play safe.

To be a successful player called for much higher quality standards and reliability. People in different departments would need to work together. They needed to be skilled differently and become more accountable, more focused, more value-driven and more charged with fire in their bellies.

So far, Sandeep had not progressed much on any of these counts.

Sandeep was caught in a typical syndrome of trying to take an existing business and growing it further. His father had focused on top and bottom-line growth. Once the business model was established and some level of operational efficiency was achieved, the company was content with the profits that rolled in. It had not felt the need for a vision, let alone a long-term **Comprehensive Vision**.

Sandeep's dilemma came from dealing with the culture of the organisation that was formed many years back. To take his company on a journey to excellence, Sandeep would have to make holistic changes to evolve in all aspects.

The good news is that any organisation, at any stage of existence, can still put itself on the path of evolution. This would, of course, require bringing in changes, depending on the phases of growth that it currently is in. To make this identification easier, the various phases are explained below:

1. Starting Phase

Focus is on establishing the business and a little more.

Get things done... limited vision... values are dormant... look for basic competence in people... depend on the leader's style & directions.

The way things are done during this first phase has a huge influence on the future and how individuals start to think. In the first, starting phase of any business, the promoter or entrepreneur has an idea and sets up a team. The emphasis is on getting things done. A dynamic leadership, which monitors and directs operations, provides confidence and motivation to the team to get the business up and running.

The "vision", if any, at this stage is just to establish a successful business and ensure financial stability. There is little time to think about stakeholders, expectations, values and so on.

In this phase, the leader's style and direction are crucial and leave an indelible mark on the future of the organisation.

If the leaders are ethical and believe that the means of business are as important as the end, this becomes the operating style of the organisation. If they show respect for people, they develop a good sense of belonging and ownership. On the other hand, if they are indisciplined and unpredictable, it leaves people unsure with no idea of what is expected of them, and people take no initiative to do anything on their own.

The culture of the organisation is at the embryo stage. But the way things are done during this time has a huge influence on the future and how individuals start to think.

2. Stabilising Phase

Pushing growth... vision is not articulated... purpose is to validate the business idea... stabilise the business... focus on functional competencies

The leadership's attitude is subconsciously reflected by team members and becomes part of the company culture. As business picks up and there is growth in the top line, the organisation moves to the second phase of its evolution. More people are added to the team, which means that it is time to bring in systems and controls. People are hired and groomed for functional competencies, a change from the initial days when teams were small and generally worked together, probably in an ad hoc manner.

The leaders' goal at this stage is to stabilise the operations and the company. Policies need to be put in place. Compensation and pay rises need to be in line with performance.

Once again, leadership values displayed at this stage decide whether the organisation will gain a firm footing or crumble. If the leader is conscious of the need to encourage systematic and proper processes and put in systems that are acceptable by objective standards, the organisation has a bright future. The leadership's attitude to customers, processes and people are subconsciously reflected by the team members and become cemented as part of the company culture.

If leadership is objective in its approach, this becomes the norm in the organisation. However, if what people see from leaders is ad-hocism, inconsistency, dishonesty and undue favouritism and unfairness, they either adopt the same attitude or become disenchanted and leave for greener pastures.

More than words, it is the actions of leaders that demonstrate the values that they live by. Leaders, whose ethics and integrity are obvious in their actions, keep motivation levels of the people high. Generally, people tend to prefer the correct, ethical way of doing things. If they are compelled to act against their own conscience, they feel a sense of dissonance; and no strong team can ever be built on a foundation of conflict and dissonance.

But this phase is also the one most likely to see the emergence of conflicts. As the organisation expands, more leaders emerge with differing points of view, sometimes leading to the formation of fiefdoms.

Apart from that, the leader is often torn between the pressure from the investors and managing the people, between increasing valuations and stabilising financial performance. It requires a display of great leadership to resolve the conflicts satisfactorily and keep the organisation moving forward.

3. Profitable Growth Phase

Improving operational efficiency... looking for functional competencies... growing shareholder value and market size... seeking engaged people... but people are restless and look for more.

Profitable growth phase can be reached, but to evolve further, the organisation needs to invest in people.

If the leadership has been doing the right things in terms of offerings, developing the market and developing internal capabilities, the organisation soon reaches a period of rapid growth and profits.

A large number of mid-sized companies reach this point but get stuck here, unable to evolve any further. Their strategies

crystallise around customer acquisition and retention as a part of the business paradigm. Operational efficiencies begin to be challenged. The organisation needs more people, but the investments in people do not seem to deliver to expectation. As more people join the organisation, they bring in their own way of doing things, a different set of beliefs and value systems and a different level of expectations.

This is the phase where the leadership has to start paying attention to details, which may not directly impact the top or bottom line but are still critical in shaping the working environment or the “culture”. These include building the right competencies in people, constantly meeting rising customer expectations, understanding changes in the marketplace and competition and encouraging the people within to respond appropriately.

This phase requires people who are highly invested in their organisational roles—something that is possible only when people are respected as important members of the organisation, are empowered and have the freedom to experiment.

If the leadership style so far has been autocratic, with leaders telling people what to do instead of training them and empowering them to do things, it becomes difficult to delegate work, as people have not learnt to work on their own.

If the leaders have been intolerant of the mistakes and have been severely reprimanding people, then it is highly likely that the organisation is purely top driven and people’s enthusiasm and energy levels are at their lowest.

Just giving people the freedom to try something new, even if they don’t always succeed, helps unleash a huge amount of energy. They feel empowered to contribute towards the goals.

Successful leaders are sensitive to this and understand that people usually want something beyond just a job, position and compensation. They long to be treated with dignity and self-respect and be counted as valuable members of the team. They look for more ways to contribute.

Leaders, who realise that people development is crucial, try to help fulfil people expectations. They also understand that people development extends to employees as well as suppliers, all business associates and partners. They make sure that everyone feels fairly treated and that all are valued as partners.

If the organisation is focused only on business development and growth and neglects other dimensions like systems, processes, controls, people development, it quickly hits a glass ceiling. (Please see Chapter 6 for people development).

When people development is missing, the organisation starts on a downward spiral, sometimes becoming a takeover candidate.

Sandeep Kothari's company in the story stands at phase 3 of the evolution chart. He is caught between the old culture that his father had worked with and his own new, professional approach. His new ideas only confused people, and their engagement with their work dropped. In such situations, the leader has to respond by standing tall, communicating clearly, finding support from like-minded people and developing new leaders who will help the organisation grow.

Sandeep also made another mistake—he had not paid much attention to his father's style of functioning. Senior Mr. Kothari had adopted ethical business practices together with a kind and caring attitude on the people front.

Sandeep, on the other hand, with his Western MBA education was looking at purely business parameters, focusing on margins. He completely neglected ethical and human values, which was probably why he found it difficult to carry his people with him. He was also inconsistent in his adoption of his father's value system; his approach was based on the compulsions of the business situation. Kothari Senior had tried to explain this to Sandeep while on his deathbed, "*Whatever you do, never let the employees and the company down.*"

As the organisation reaches a critical mass, success parameters need to go beyond being ethical and complying with regulations. People development becomes critical and needs to be the centre of the organisation's focus.

At this point in evolution, the vision needs to change and grow too. The leadership's views determine the shape of the future of the organisation. Are they satisfied with making money and enjoying the trappings of power and "success"? Do they have a personal vision that goes beyond numbers and shareholder value? Is there a desire to build an "excellent" organisation and the willingness to invest in developing one? The answer forms the new vision and reflects future growth.

Together with the growth in vision, it is necessary for an organisation on the path to excellence to grow its people. People growth is defined not only in terms of functional skills but the level at which they are engaged in their work. This is possible when the leader is empathetic to the "psychological" needs of the employees and creates an environment where the basic human values like honesty, integrity, respect and care are part of the organisation values. This culture of psychological comfort encourages greater engagement in the task of building and growing the organisation.



Good leaders realise that people make mistakes and are not machines. Having the right people and right leaderships are crucial.

4. Excellence Phase

Aspire for market leadership... strive for excellence... have business ethics and human values... satisfy all stakeholders... harness potential of people... service driven (CSR)

Providing psychological safety brings out the best in people, creates an environment for all-round growth and an engaged workforce, without which it is impossible for any organisation to reach excellence.

In this fourth phase, where organisations strive for excellence, the biggest challenge is to keep people engaged. Most frameworks of excellence that are currently in use (think Baldrige, EFQM and Deming) advocate getting to the excellence stage through a good vision, strategy, customer focus, processes, technology and partnerships. They recommend strategies to ensure people satisfaction and engagement. They also talk about the importance of sustainability but mainly from the resources and energy perspective.

But our experience has taught us that this approach cannot guarantee truly engaged people. The organisation needs more. It needs to “win the hearts” of people and make sure that they are “psychologically” comfortable.

Nobody can perform to his or her fullest capability if his or her workplace atmosphere is threatening in any way. If the aim is to get people to perform, reprimand and punishment are only counterproductive. Individual competence, domain knowledge or experience needs to be buttressed with *Nourishing Culture** to “win hearts”.

Providing psychological safety by crafting an environment for all-round growth with a climate of appreciation and recognition brings out the best in people. This alone will form an engaged workforce, without which it is impossible for any organisation to reach excellence and stand tall among its peers.

The key to creating this culture lies in the leader’s attitude towards people. If the leader treats them with disrespect or does not really value his/her people, no amount of HR initiatives can help. If the leader does not reflect the aspirations of the organisation and the sense of the vision in all interactions—meetings, communications and actions—it is impossible to establish this kind of culture. If the leader has no time or patience to invest in developing the capability of his/her people, they end up feeling that they are not valued or seen as capable members of the team. All enthusiasm in their work dies.

The leader could be a dynamic person and may devote a great deal of time and attention to develop and implement the right strategies. However, it is the leader’s personal paradigm on people, the strength of belief in ethical and basic human values and conduct vis-à-vis the stated vision that ultimately decides if the organisation can become truly excellent or not.

One other important task for the leader is to constantly measure people satisfaction, identify their dissatisfiers, motivate them and keep them engaged. Very often, this function is left to

the human resources department to handle while the leadership is busy with “hardcore” business activities.

When people are engaged in their roles and their work is aligned to the organisation’s objectives, improvements take place on a continuous basis, and the approaches to the identified goals are upgraded on an ongoing basis. This allows the organisation to establish possibilities for continuous growth, a prerequisite to becoming an excellent organisation.

5. The Excellent Organisation Evolution Model

Like late Dr. Stephen Covey said everything in the world is created twice, first in the mind of the creator and then in reality. Same is the case of creating excellent businesses and institutions. The ability to envision and act in the direction of the vision is the key to progress and success.

Evolution of organisations could be broken up into four phases and related to three major dimensions. The four phases being start up, stabilisation, profitable growth and, thereafter the climb towards excellence. This progression has been dealt with earlier on in the chapter.

The three major dimensions are the nucleus, enablers and impacted. For purposes of clarity, the three dimensions are broken down into a total of seven sub dimensions.

The nucleus which determines the character, the personality of the organisation is represented by purpose, vision and values. These have been dealt with elaborately in Chapter 2 and 3.

To ensure that the nucleus manifests itself fully, viz., develops to its fullest potential, the leadership, the primary driver of action/energy becomes the key enabler. On dissecting the leadership as

the enabler, one finds that there are two sub-dimensions, reflected in the two pillars, which impact organisational growth/evolution. They are the business paradigm and the people paradigm of the leadership.

The net impact of the enabler vis-à-vis the nucleus affects the evolution of the organisation and its people, hence the categorisation of the last two pillars as ‘impacted’.

As the Organisation evolves from being a start-up, stabilizes, gets into a profitable growth mode and thereafter attempts to become an excellent organisation, it needs to evolve along each of the seven dimensions. The chart below captures these aspects along the seven pillars.

The evolution of each sub dimension is explained briefly below:

Excellent Organisation Evolution Module

Phase 4 ↑	Aspires a leadership role and intrinsic empowerment	Seeks excellence	EXCELLENT			Develop, mentor	To be market leader
	Has achieved success but feels empty	Adhoc support to sections of society/planet - CSR	3P Vision Planet, Profits, People & Society	Satisfy expectations of all stakeholders beyond shareholders - ESG (Environment, Society and Governance)	Human values articulated - inconsistency in following	Cares for people	
	Seeks meaning at work	Deliver better service to customer and stakeholders	To be excellent, better than competition, to become a leader and a role model	Values limited to business ethics and compliances	"Culture fit" overrides "competence fit"		Continually improving processes
	Wants to have a "say" expects psychological safety	Harness more potential from people				Satisfying all stakeholders	
Phase 3 ↑	is comfortable but restless and looks for more	Seeking engaged people	DEVELOPING			Willing to train and develop skills	Customer orientation
	Seeks opportunities to learn and grow	Focus on business, profits, less on people	To grow in size, market presence and make profits	Growing shareholder value	Inconsistency in following ethical and basic human values	Looks for functional & behavioral competency	Operational efficiency
Phase 2 ↑	Wants mental & physical comfort, financial stability	Stabilising phase	Limited to reaching business goals and metrics	To validate an idea and business case	Not articulated	Looks for basic competency	Pushing growths
	Needs a job and financial safety	Struggling to survive	Limited to day to day results	To fill a perceived void and exploit an opportunity	Isolated		Dormant
Start up phase							
Phase 1 ↑	People Expectation Mindset	Organisation status	Vision	Purpose	Values	Leadership people paradigm	Leadership business paradigm
	Impacted		Nucleus			Enablers	

Explanation for phrases in the chart are in Annexure at the end of the book

I NUCLEUS:

This is the DNA of the organisation. It has a tremendous impact on the quality of the personality/character of the organisation. As discussed in Chapters 2 and 3, a vision is time based futuristic perspective of a business outcome. In the normal course, the vision is more about the purpose (what problem we trying to solve, to what extent we would be driving it in a given span of time). Often this also coupled with the how the organisation intends to achieve the purpose and is reflected by the values, which will impact the relationships between stakeholders, quality, finesse of the processes etc.

- Purpose** – Purpose changes with the growth of an organisation, from being an attempt to exploit a business opportunity in the beginning and going through phases of establishing a successful business, making profits and creating shareholder and addressing Environment, Society and Governance concerns (ESG) to reach a stage of excellence, where it becomes a market leader, role model and better than competition.
- Vision** – This too starts with a primary focus on business goals and wealth creation and then extends to customers who are critical to business. As the organisation evolves, the vision needs to acknowledge the expectations of all stakeholders – people, the suppliers, vendors, partners and the society. The scope of the vision needs to extend to factor in the needs of the society at large, and finally include the planet (3Ps).
- Values** – Value systems are dormant at the early stage. Values of ethics and integrity take root for the sake of compliance and later to encompass basic human values, and finally in dharmic values.

II ENABLERS:

The leadership is the key driver for the development of the organisation along the four phases. Like it is said 'Leadership is about everything and everybody else other than the leaders'. The corollary to that is added that, 'ultimately it is the leadership alone as well'. Both these are reflected by the leadership paradigm. It is the quality of the leadership which impacts everything and everybody.

The word 'paradigm', implies, individual 'world view' of the leadership on the particular sub dimension. How the leadership views the vision, purpose, values and seeks to treat the external opportunities to achieve it, reflects the business paradigm of the leader. The vision cannot be achieved without people; hence the leadership's perception of the key wealth creators, the people, i.e., the leadership's people paradigm has a tremendous impact on the outcomes/results.

Given the pressures on the leadership to show growth, revenues, returns etc., it is but natural that the focus on business paradigm is often higher and hence receives maximum investment of time and energy. People who rise to leadership roles bring with them the capability to understand business challenges and develop the right strategies. It is important however that for sustained progress, the leadership develops a strong paradigm around people as well. It is important for the leadership to accept people as they are. Be willing to listen and understand people from their perspective with empathy and take on the responsibility to develop them to their potential. It is important that the people paradigm be impregnated in the mind of the leadership at the initial phases of the evolution.

4. **Leadership, business paradigm** – It is obvious that the Promoter/owner has to drive the business. Initially the focus is primarily centred on business - the leadership's "Business Paradigm". The leadership too has to evolve from somehow getting things done, to pushing growth, bringing in operational efficiency and customer orientation. When the short term goals have been met, the leadership needs to worry about identifying long term goals and make plans around that. The need is therefore for the Leadership to be "visionary". As the leadership matures, it works towards market leadership, ultimately aiming for all round excellence and sustained growth.
5. **Leadership, people paradigm** – This is critical ingredient right from the start. While organisations start, grow and struggle along up to a stage even without this paradigm being right, sooner or later they stumble. Despite having strong business models, strategies, and good hard core business processes, a majority of the organisations hit a "glass ceiling" only because their people paradigm has not evolved to the required maturity. The key is about the Leaders "world view" on people, the acceptance of people as they are, a strong commitment to treat them with respect, care, empathy and a belief that with proper guidance and coaching they could blossom to their full potential.. It is about the leadership accepting that "growing people" is part of the responsibility.

III IMPACTED:

The development of the nucleus gets reflected ultimately in the outcomes/result, of all efforts, resources and energy invested that matters viz., the organisation and the people.

6. **Organization** – The evolution of the organization from just about surviving, to stabilizing, profitable growth and finally excellence is continually impacted by the changes in the other aspects (columns in the chart). All other parameters need to evolve along the lines indicated for the organisation to grow in a balanced way, maturing from one phase to another. If they don't, the organisation's evolution gets lopsided.
7. **People Expectations** – Just like the Organisation evolves in its aspirations, people's expectations also change as they move up in their careers. It starts with having physical and financial security and progresses to mental, psychological comfort. In our experience, one major reason that organisations struggle to get people "engaged" is the failure of the Leadership to understand this dimension of people expectation and address it adequately. The leadership has to understand every stage of expectation and meet it even before it arises. While most organisations meet the financial safety and to a large extent, the mental safety levels, the mismatch that occurs most often is in providing psychological safety. The inability to establish an emotional connect with the people or understand what psychological safety they are seeking creates this gap.

Typically, people who have grown with the organisation and tasted some success are at a point where they look for psychological

comfort. When they are unable to find a meaning in their work in view of their limited participation, they feel an emptiness and they look for opportunities to have a say in what is happening around them. Actually what they are looking for is influencing leadership role.

Finally putting it all together, beyond a stage it is just not sufficient to have one strong leader (or even a handful of leaders) with engaged people, organisations need strong leaderships at every level. One leader cannot do it all. The organisation needs to nourish a culture that enables this to happen. The Organisation needs to "grow" people. (See chapter 6 – igniting greatness in people)

Analysing the case of the company Sandeep Kothari inherited from his father with regard to the chart, we can draw the following conclusions:

- As regards the business, the company stands at phase 2, where it is growing and trying to push growth. However, its future is unclear. Logically, it needs to move towards improving operational efficiency and better customer orientation. It needs a good customer-driven strategy.
- The leader's paradigm around people is at a very low level—phase 1. It has not kept pace with the business evolution. They are still treating people as just a resource. They need to focus on people development (covered in detail in Chapter 6).
- The values of the company are also in phase 1, which means they are dormant. Despite being in business for 35 years, the values are not clear. People are confused, and hence, they play safe. Fiefdom reigns. Creating a holistic

set of values, starting with ethics and basic human values will help people get clarity on decision-making and remove conflicts.

- The organisation has no clearly articulated **purpose** or **vision** of where it would like to reach. There is no common goal to get people working in the same direction. The goals have, so far, been to grow business, improve efficiency, adopt Japanese systems and reduce costs. The organisation has been focused on business profits but has made no effort to get people aligned. At this stage, what it needs to do is articulate a vision that is clear and more comprehensive. Only then the organisation will move to phase 3 and then on to 4.

The organisation obviously needs to get people engaged and harness their potential. The organisation would like to benchmark its competitors who are excellent or market leaders and try to catch up or even overtake them. But bringing in any change can never be easy. To take the organisation forward, there should be a declared purpose. The “purpose” of business needs to go beyond mere profits or creating value for the shareholders. The **vision** needs to become comprehensive to include all stakeholders and the expectations of the society and the environment.

People will not just change unless they see the change happening at the top. It is up to the leadership to develop a **Comprehensive Vision**, evangelise the purpose, and articulate and live the values to bind people.

While all these changes are happening, the leadership needs to be aware of people expectations, provide the appropriate inputs and support as enablers. **Leadership’s paradigm** on people also

needs to evolve on the lines indicated jointly with adopting the right values.

The chart given earlier maps out the evolution of organisations with regard to the seven aspects mentioned. Looking at it, organisations can get an idea of which level of evolution they are currently at, where they need to go and how to draw up a strategy for further evolution.

Organisations are economic entities. The leadership operates from a paradigm that people are a collection of individual economic units. Propelling, fuelling them with growth, position and profits or money is seen to be the magic formula for mutual success. “Excellent Organisations” have perfected the internal business and people processes to drive these common needs. Most people have fallen for this and permit themselves to be treated as such. Maximising these efforts creates stress, burnouts and takes a toll on organisations and its people. The reality is that people are born ‘human’ and should not be treated as mere commodities. It is the “purpose”, which makes life more meaningful. Life should not be limited to mere economic pursuits.