CASE STUDY

CULTURE

Mr Chairman and fellow professionals,

LET ME, AT THE OUTSET, THANK THE ORGANISERS OF the 25th National Management Convention for providing me an opportunity to make this presentation. I wish to speak to you this evening about our experiments with culture-building at Darshan. It has been over five years since we took the first halting steps in that direction. We have had some success, but we also have some reservations about the route we have taken. It is in this context that I would welcome your comments. Please feel free to interrupt me at any point of time. It was in October, 1989, that the Rs 350-crore Bharat Industries, a Delhi-based diversified trading conglomerate, carved out its various businesses into autonomous companies in the process of dividing up the family business. The Rs 90-crore consumer products division—christened Darshan—inherited a small manufacturing facility on the outskirts of Delhi, and two products: Pep, a cooking oil; and Verve, a coconut hair-oil. Both were doing well, with marketshares of 8 per cent and 12 per cent respectively—although the consumer products division's lack of marketing focus had led to a history of failures with products like sunflower oil, groundnut oil, and toothpaste.

The immediate tasks before the new company—which I joined as CEO in November, 1989—were to consolidate the strengths of its existing brands, divest in the lame ducks, and launch new products. And the overriding priority was to get closer to the customer. A SWOT analysis suggested that our only strength was a sales and distribution network, panning about 1,500 wholesale distributors nationwide. The major weakness was the lack of depth in product development, quality control, human resources management, finance, and technology. But the opportunities were clear: the consumer boom in the offing offered the possibility of increasing our market-reach. Of course, with the economy bound to open up sooner or later, an increasingly-competitive marketplace would carry its own

SYNOPSIS: The CEO of Darshan, the Rs 365-crore consumer products manufacturer, was using his presentation at the 25th National Management Convention to confront his own doubts about the culture-building process that he had initiated at his company five years earlier. Darshan had used culture as a unifying tool to ensure that all its people pulled together in the same direction. However, even as the company boosted turnover and profits, the CEO was wondering whether he had really achieved his purpose of improving performance through a

threats. We then looked at Darshan's organisational structure and spotted many gaps. We reckoned that Darshan needed a total complement of 45 managers, as compared to the 15 it had, to take care of its immediate business needs alone. We had to seek fresh skills and install a good team. But the lack of a track-record as a professional company was a major hurdle in attracting quality people. What we did, therefore, was to sell people a dream—of building an organisation from scratch. It worked. We also ran a press campaign in the print media for six months, announcing the birth of Darshan, which gave us a lot of visibility and helped our recruitment efforts. Yes, sir?

I remember that campaign. It was catchy. It gave some kind of identity to Darshan. Was that the time when you felt the need for culture-building?

No. Culture-building was not even an idea at that time. There is, after all, a big difference between corporate identity and corporate culture. While the former creates a bonding between a company and its external constituents, the latter is an internal exercise, connecting people to a common objective of serving the customer. At Darshan, the need for a culture was felt much later—when we had the new team fully in place. Coming from different companies, including well-known transnationals, many of them simply sought to duplicate the tactics and strategies that had done well for them in the past. For example, one of them tried to change the logistics pattern to one in his former company, without regard to the time-tested relationship between Darshan and its dealers. Each manager was thus pulling in a different direction. That was when the need for an internal culture as a bonding element surfaced. Yes, sir?

I'm sure there must have been a dilemma over the process: whether you should let the culture evolve over time, or whether it should be first articulated and, then, institutionalised…

You've taken the words out of my mouth. Over a series of discussions with Darshan's managers, individually and collectively,

EXHIBIT-I: THE PROCESS

- **I**dentify the gaps in the organisational structure
- **S**ell a dream and recruit talent
- **D**esign a corporate campaign
- **L**ink culture-building with delivering customer value
- **O**utline a mission and values statement
- **A**ddress shop-floor meetings on mission and values
- **S**ecure buy-in by top and middle management
- **A**ppoint a dedicated manager to co-ordinate various
- **L**aunch experiential workshops
- **I**ntroduce retreats, critique sessions, open house sessions, and feedback surveys
- **D**eclare new product development as a thrust area. Announce a quality policy. Seek technology upgradation. Spruce up workstations
- **I**nvest in quality relationships with vendors and distributors. Invite them to all in-house sessions

CONCERNS

common commitment to the corporate culture. Did Darshan use culture effectively? Was its objective of culture-building appropriate? Was culture-building at all essential? Did Darshan go about it the right way? While Modi Xerox's K. Swetharanyan feels that only minor modifications are necessary, Citicorp Software's U.V.M. Rao and Mahindra-British Telecom's V.M. Vartak both advocate linking culture-building to strategy. And the NMIMS' Aneeta Madhok suggests that the process must be aligned to Darshan's business objectives.

we coaxed out a consensus. And the culture we wanted was summed up in one sentence: delivering value to the customer through building a value-based organisation. That became the sheet-anchor—a mandate, so to speak—for all our subsequent efforts at culture-building. But, as you would agree, that sentence was only the skeleton. We had to breathe life into it. And thus evolved what came to be called the corporate mission and values statement. The mission outlined what we wanted to be: a highly competitive consumer-oriented enterprise—number one or two in each product category. The values, which outlined the preferred behaviour in accomplishing that mission, centred around three fulcrums: people, products, and profits—the three Ps. The document elaborated—and I quote: "We will invest in mutually beneficial relationships with PEOPLE. We will offer consumers value for money through creating PRODUCTS of superior quality. We will use PROFITS for both reinvestment as well as for maximising wealth for all stakeholders. The three Ps are the three cornerstones of a mutually reinforcing and synergistic triangle, each drawing from the other to create more of itself." The statement was discussed at a two-day workshop of all managers with a view to building a comprehensive, detailed document. Over the next few weeks, each manager discussed the document further with his close subordinates. The idea was to identify practices which contradicted, or fell short of, the standards prescribed in the document, and align them with new standards. The effect was electrifying. I was surprised at the degree of ownership it generated among the managers and supervisors. This was around mid-1990. Your question, sir?

But what about the workforce? Why were they not included from the beginning?

Much as we tried to make the exercise participatory from the beginning, we had to exclude the 550-strong workforce because of historical reasons. Although their average age was 35, few among them could comprehend issues beyond those which affected them at their immediate workplace. Concepts like

mission statements were evidently too esoteric for them. But we had one thing in our favour: their loyalty to the organisation, generated by an association of over 10 years with the erstwhile consumer products division. Once the top management openly demonstrated its commitment and secured buy-in at the middle level, it would be easy to sell the idea down the line. We got the document translated into Hindi, and distributed copies to each workman. I personally addressed the workmen in all the three shifts, and spoke to them about the importance of customer-orientation. I did it every week over the next six months. I spoke to the same audience, on the same issues, over and over again. We also held small group workshops, co-ordinated by the line managers, to reiterate the message. However, the line managers were getting impatient. They were spending so much time on new initiatives that it was affecting their regular work. To lift their burden, we created a new post—general manager (organisation development). His brief was to provide a momentum to culture-building at Darshan by simultaneously working at three levels: the individual, where he would develop processes aimed at personal growth; the small group, focusing on team effectiveness and team renewal; and the organisation, to build the values we had already spelt out. Yes, sir?

But appointing a dedicated person for organisation development (OD) has its problems. People tend to pass the buck. Nobody owns the effort. I have seen it happen in most companies with TQM, for instance,...

Yes, but unlike TQM, OD is, essentially, a top-driven and management-led effort. It succeeds only when its messages are reinforced and reiterated regularly from above. But, as our own experience has shown, one can never reiterate enough. It is amazing how people in an organisation wander from the basics. The OD intervention reinforced the culture-building efforts at Darshan through four different mechanisms: experiential workshops, retreats, critique sessions, and feedback surveys. Each was executed on structured lines, and has today become part of the

EXHIBIT-II : THE RESULTS

THE MERITS

- Provides a bond for people in company
- Enhances transparency in work environment
- Fosters continuous process improvements
- Encourages honesty in communication
- Clarifies organisational methodologies

THE DEMERITS

- Form overshadows content
- Creates a compliance mode among people
- Offers links with business strategy
- Generates lack of credibility
- Diffuses business objectives

CASE STUDY

annual training calendar. Experiential workshop is the bedrock of culture-building. It is aimed at exploring the nuances and interpretations of the mission and values document, and at bringing to the surface the conflicts involved in adhering to those values. The workshop is held in groups of about 15 individuals from different levels. The modules are designed in such a manner that people can express, without inhibitions, their innermost prejudices about processes. I attended the first few workshops, and still do whenever I am in Delhi. The extent to which negative feelings are purged is amazing. Each workshop cleared the air over hundreds of personal dilemmas, enabling a distinctive culture of openness to emerge.

Retreats are annual conferences held soon after the strategic business plan for the financial year is finalised by the top management. The plan, which provides data on expansion, diversification, investment requirements, and profits and cash-flow projections for the next year, specifies the thrust areas for the year, depending on market conditions and availability of resources. Participants are split into respective work-teams so that their individual goals can be set in line with the strategic business plan. Firmed up between a supervisor and a subordinate, and prioritised by weightages for facilitating proper appraisal, the goals are reviewed for mid-course corrections. Since it is attended by everyone above the level of frontline supervisor, the retreat facilitates networking and offers an opportunity to build cross-functional support.
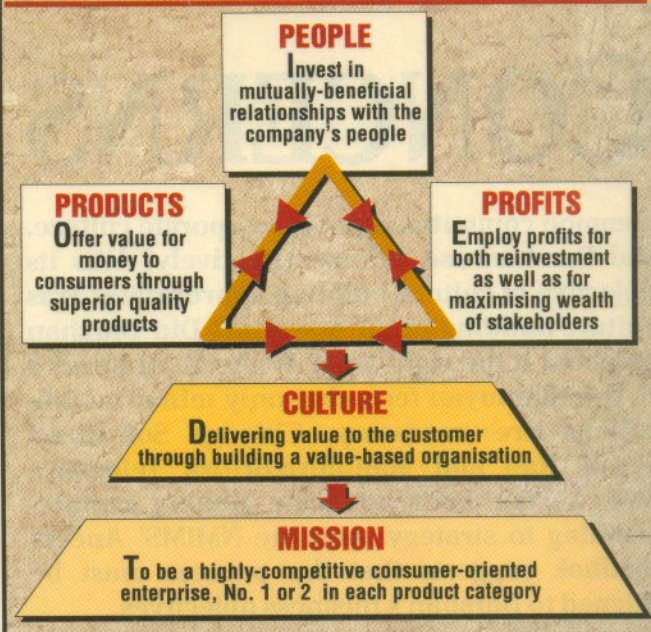
Critique sessions are problem-specific. They are initiated by employees themselves in order to resolve inter-group conflicts, with a person unconnected with the conflict being invited to act as mediator. I must also point out that we have taken several related initiatives to buttress the culture we're trying to build. We refer to our people as members, and not as employees, in all our internal communications. Everyone, including myself, is addressed by his first name. We invite vendors and distributors to conferences and social events as part of the process of building quality relationships with them. And under our Organisation Address and Open House systems, I personally make a presentation at the beginning of every financial year on the performance and the prospects. May I have your question, sir?

What are the tangible benefits of this exercise? Is Darshan a different organisation today from what it was in 1990?

Darshan is characterised by teamwork, openness, a learning environment which fosters continuous process improvements, and a high degree of employee-involvement. Our turnover rate has dropped from 25 per cent in 1992 to five per cent today, compared to the industry average of 18 per cent. Our culture motivates people not only to work hard for Darshan, but also to stay on. The findings of our latest feedback survey on value practices, conducted two months ago, show a positive value swing from 2.3 points in 1992 to 3.15 points, out of a maximum score of 4. We have also launched several new products, with new-product development being a thrust area for the last three years. We have improved our marketshare to 35 per cent in coconut oil and 15 per cent in cooking oil, in the face of growing competition. And our turnover has gone up to Rs 365 crore in 1995-96, from Rs 285 crore in 1994-95. Yes, I knew there would be a question at this point. Yes, sir?

But couldn't you have achieved all this even in the normal course, without getting into this culture-building thinking?

EXHIBIT-III : DARSHAN'S 3-P TRIANGLE

PEOPLE
Invest in mutually-beneficial relationships with the company's people

PRODUCTS
Offer value for money to consumers through superior quality products

PROFITS
Employ profits for both reinvestment as well as for maximising wealth of stakeholders

CULTURE
Delivering value to the customer through building a value-based organisation

MISSION
To be a highly-competitive consumer-oriented enterprise, No. 1 or 2 in each product category

Graphics by SATYAJIT

I must confess that is what worries me. Are these all that culture-building can deliver? Frankly, I don't know. But the exercise has also brought problems in its wake. The increase in aspiration levels among employees, engendered by a more transparent environment, has generated its own compulsions. While internal pressures for business growth are mounting, we need to find career opportunities for people commensurate with their new aspiration levels. The fact that we are a flat organisation—there are only five layers between the CEO and the supervisor—has diluted promotion prospects. Unless we build on ambitious growth targets now, we may not be able to consolidate the gains of a value-driven organisation. We also have to deal with two basic misconceptions among employees: First, the management could be using culture-building as a tool for enabling a compliance mode in the organisation. And second, values represent the absolute truth, providing no room for deviation. Not only have all the efforts at culture-building not succeeded in dispelling these notions, they have, in some cases, even emphasised them. Besides, all the line managers are spending a lot of time on culture-building, and we don't know where to draw the line. That's why, ladies and gentlemen, I'm not as confident about the gains of culture-building at Darshan as I was even a year ago. Thank you for your attention.

Is Darshan putting too much emphasis on culture, perhaps at the expense of strategy? Has the company gone about culture-building the right way? Could it have done it differently? Is culture becoming an extension of the CEO's personality? Or does it really have a link with business strategy? Can it be an enduring exercise, adding value to business in the long run?

■ Case study by R. CHANDRASEKHAR. Refereed by the BUSINESS TODAY Panel of Referees

CASE STUDY

Solution A

U.V.M. RAO

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CEO,
Citicorp Overseas Software

THE GENERIC route that Darshan has taken, and the sequence that it has followed are in line with what companies normally do in the area of culture-building. And although Darshan has gone about it in a structured manner, it was necessary to involve everyone from the beginning. Of course, a manufacturing unit with a semi-literate workforce is at a disadvantage compared to, say, a software unit where everyone is, due to the very nature of the business, a knowledge worker. The solution lies in working simultaneously towards flattening the organisation. The success of the experiment at Darshan is, in no small measure, due to the fact that it has cut across hierarchies and reduced the number of layers to just five.

It is equally important to establish a link with strategy from the outset. Apart from giving an organisational focus, it will ensure that culture-building is not perceived as being driven by the CEO's personal ambition. It is true that the exercise usually starts off at the behest of a few. But unless the buy-in is secured at all levels, any top-driven initiative is bound to lose momentum down the line. It is also true that a culture-building exercise is usually rooted in a crisis situation. That is what gives it the necessary drive. That is also the reason for linking culture-building strongly with strategy right at the beginning.

It is also important to reiterate the linkage on a continuous basis to sustain employees' interest over a long period. If the linkage is weakened, the employees will not only interpret the exercise in isolation from the company's long-term strategic goals, but also confuse it with hype, thus reducing the credibility of culture-building. It is quite easy to create the excitement and tempo when times are critical and survival is at stake. But once the desired quick-hits are achieved, complacency sets in, and the initial enthusiasm ebbs. Thanks to personal growth, the key players move into new roles. The danger lies in mistaking short-term wins, which are numerical—increases in revenue and marketshare, for instance—for long-term goals, which are intangible and non-numerical.

The problems encountered in the wake of the success achieved are typical. But the real danger is in the rituals instituted. The open-house sessions, the group workshops, and the feedback surveys can become an end in themselves rather than mere tools to achieve strategic objectives. I would consider any transformation effort—like culture-building—successful only when employees believe that their future is in their own hands, and not in someone else's. That they, and no one else, can shape their own destiny.

Solution B

K. SWETHARANYAN

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Chief Executive (Staff Affairs),
Modi Xerox

THE CEO OF Darshan has done an excellent job of building culture in his organisation. The very fact that the turnover of Darshan has climbed from Rs 90 crore in 1988-89 to Rs 365 crore in 1995-96, with accompanying improvements in marketshares, is indicative of the fact that business interests have not been sacrificed in the process. On the contrary, culture-building has acted as a strategic tool for achieving superior business goals.

When building an organisation with people from different backgrounds, it is mandatory for the CEO to develop a unique organisational culture. Hence, culture-building is an essential part of organisational intervention. The dilemma over whether to concentrate on profitability and turnover or on culture-building is a typical situation every CEO faces. But no CEO can achieve his turnover and profitability targets unless he develops appropriate organisational intervention strategies as part of his overall corporate strategy. However, Darshan's CEO was wrong in not involving the 550-strong workforce right from the beginning. After all, it cannot be only the prerogative of the top and middle management to be committed to the common cause from the word go. There is also a problem in appointing a dedicated manager for organisational development (OD). Is OD the responsibility of the head of the OD alone? Isn't it also the domain of the line managers? Granted, it is important to have one dedicated resource to act as a specialised coach and guide, and as a conscious custodian of organisational and HR interventions, but every line manager also must own the responsibility for human resource development.

It must be remembered that culture-building is not meant to be hot air driven by the CEO's ambition. Shared values and organisational styles should be part of the strategic arsenal in every attempt at organisational transformation, and the best person to head this is the CEO. Culture-building can prove an enduring exercise in adding value to business—so long as it is clear just what adding value to business means. For, the enterprise must add value not only to the customer, who stands at the apex of the triangle of stakeholders, but also to shareholders and employees who occupy the other two vertices. In bringing about a cultural change, one enables employees to achieve superior productivity and better business processes in order to increase customer and shareholder value. That's why culture-building is a means to an end, and not an end in itself.

CASE STUDY

Solution C

V.M. VARTAK
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Advisor,
Mahindra-British Telecom

THE DILEMMAS being faced by Darshan are rooted in two factors. The company has not articulated a proper statement of intent right at the beginning. The declaration that the company seeks to "deliver customer value through building a value-based organisation" provides neither a framework of what constitutes corporate culture in the company's view, nor a reference point for managerial action. It only furnishes a measure of performance. And there is little evidence to suggest that, five years into the initiative, Darshan has been delivering customer value. The company has merely followed some steps—which, it must be said to its credit, are structured, sequential, and logical—towards creating an open work environment. But the goal will become elusive unless the company does two things. It must define what it means by corporate culture. And it must get the linkage with strategy right.

How does one define corporate culture? A basic definition would read: the way we do or do not do things in our company. This is the premise—perhaps a little simplistic—on which one should build a relevant structure. Although each company has to find its own way, there are two common edifices on which the premise must be built: one systemic and the other behavioural. The former refers to numerous transactional processes in the company's value-chain. A framework of desired conduct must be built around each of these processes. The second edifice refers to the creation of an environment in which everyone is in tune with the vision, mission, and values of the organisation. The two must synergise and operate in tandem. Only then will the culture-building initiative leave an enduring impact on the company and its business results.

Equally important is the link with strategy. The apprehension among employees, to the effect that the company could be using the culture-building exercise to enforce a compliance mode, would have been minimised if the strategic link had been established right from the beginning. The experiential workshops could be used as a forum to correct the misconception. The fact that the employees are feeling free to articulate their misgivings is a clear indication that the exercise has generated a positive climate in the organisation. Darshan should build on this small island of success. Once the link with strategy is established, the line managers will not feel burdened by HRD interventions. It will automatically generate a voluntary mode in the organisation. Culture-building is a long-drawn-out—and by no means easy—task. Darshan is on the right track, but it must fine-tune the effort in order to succeed.

Solution D

ANEETA MADHOK
....
Professor (Organisation
Development), NMIMS

THE CEO OF DARshan needs to be complemented on his proactive approach. Very few firms would pursue culture-building with the vigour that has characterised the effort at Darshan. However, there are some areas which need fine-tuning:
■ The CEO's original concern was directed, correctly, towards delivering value to the customer through building a value-based organisation. However, all the subsequent efforts were designed primarily to satisfy the second part of the objective—building a value-based organisation. The need to deliver customer value seems to have been missed out altogether. Culture-building was not integrated fully with the company's business.
■ The focus on "investing in mutually beneficial relationships with people" in the mission and values document seems to be biased towards ensuring that everyone looks forward to a tangible benefit. Ideal working relationships are not based on "What is in it for me?" as the bias in the document suggests, but on "What can we do for each other?" It is not surprising that the company is perceived by employees as merely being sensitive to individual needs, without creating an environment in which uncomfortable issues are addressed in an objective manner to facilitate a result-oriented culture.
■ Experiential workshops of the kind described take place within a context. Today's context is a competitive environment, demanding result-oriented actions leading to a healthy bottomline. While hierarchies and normal work-interfaces break down during a workshop, creating tremendous bonding among people, what happens post-workshop? Sustaining the normative context involves extensive redrawing of the boundaries of appropriate behaviour. This may or may not happen. Chances are, it will not. Darshan should take steps to minimise the possibility of its not happening by ensuring that participation in the workshops is voluntary, and that no peer pressure is brought to bear in this regard.
■ The CEO of Darshan should re-examine his own role as a change agent. He comes across as someone unsure of the route he has chosen. Unless the CEO is clear about his conviction and is firm about the goals, he will be unable to provide the inspirational leadership that organisational change demands. The CEO should examine whether the internal changes have impacted the customer. A value check with the customer is necessary because he is the ultimate judge and jury. ●