

Management Next

Monthly for CEOs & Aspiring CEOs

jump out of the box

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Gung ho even at 50

Vijay Mallya celebrated his 50th birthday last month, in a year in which many of his dreams came true. Today, he has set the stage for launching his business empire into the next trajectory. But to win in the new round, he may have to play by different rules.

- Benedict Paramanand



“They say life begins at 40 and you ask whether this has slowed me down. Sorry, I am not yet in a wheelchair,” was Dr. Vijay Mallya’s curt response to a question on an online chat in 1996. What could be Dr. Mallya’s reply today? - “Life begins at 50 and I’m driving a Maybach?” At 40, he may have appeared uncertain just like the Indian economy, but today, he’s raring to go.

Dr. Mallya celebrated his 50th birthday on December 18, 2005, along the steamy beaches of Goa with the kind of pomp and revelry that befits a king. Well! He is the ‘king of good times,’ anyway.

For a casual onlooker, Dr. Mallya is a mystery. ‘How can a person who is more in the news for his parties, designer looks,

horses, cars, jets and booze manage to wrest big business deals and become the second largest liquor baron in the world? How can he offer an air ticket at a no-frill airline fare with the experience of a luxury carrier?”

But for those who have known him closely, Dr. Mallya leads his life king size. Why not? His father left him with a flourishing business when he was only 28. Whether he has lived up to his father’s dreams only he will know.

Dr. Mallya is today one of India’s most flamboyant industry captains. He’s a perfect blend of glamour, guts and business acumen. A peek into Dr. Mallya’s management style may make him a perfect example of a benevolent autocrat. Those who have known him say he’s a great motivator. He knows the material instincts of people and pampers them to the brim. He offers generous performance incentives and believes in paying the best pay package in the industry. This explains the high loyalty factor among the senior executives and negligible attrition rates among the middle and lower rungs.

Dr Mallya may appear to be the type who has all the fun and lets his confidants manage the business. Even if it’s true, it’s because he genuinely delegates. His leadership style is one of – I give you a free hand, but you must deliver. Does he work hard? Oh, yes. He is known to be well clued-on and knows from where the buck comes and where it goes out.

His gift of the gab and the uncanny knack

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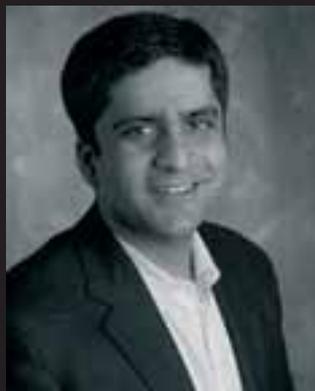
Indian management gurus shine



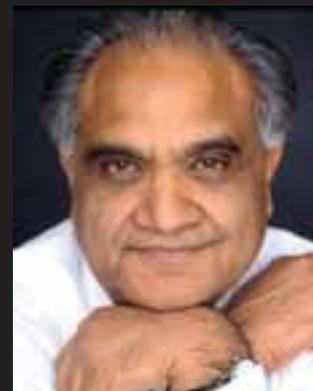
C. K. Prahalad



Vijay Govindarajan



Rakesh Khurana



Ram Charan

Indian sports teams may be slipping in global ranking but more Indian management gurus are finding place in the top 50 listing for 2005, announced by the European Foundation for Management Development recently. Talking of gurus, India has been exporting various saffron-robed 'saints' to the West for decades now. And yoga is more popular in the United States and Europe today than in India.

It's interesting that no Chinese guru has made it to the top – perhaps they are better at doing things their way rather than telling others what to do. Two other Asians – one Japanese and one South Korean – have made it to the list.

The most original of Indian management teachers today is strategy guru, Professor C. K. Prahalad, of the University of Michigan, whose book *The Fortune at the Bottom of the Pyramid* challenges conventional thinking about the world's poor. He moved an impressive nine places to number three in the top 50 list. Three new faces in the hallowed club show up this year. They are CEO coach Ram Charan (ranked 24), Professor Vijay Govindarajan of Tuck Business School (30), and Harvard's rising star Professor Rakesh Khurana (33).

While C K Prahalad's work on core competence and bottom of the pyramid is well known, other Indian gurus are yet to throw powerful, original idea into the market. Vijay Govindarajan's new book 'Ten Rules for Strategic Innovators,' scheduled for launch soon, is expected to make it big in 2006. Rakesh Khurana's current research on CEO talent market is expected to throw fresh insights for organizations that look to link pay to performance.

It's clear that ability to articulate well, both in written and spoken words, gives Indian gurus an edge over other Asians. Strong Indian basics in mathematics and advanced education in the United States is a powerful mix. It's sad, however, that no management thinker has so far made it to the top 50 list while

working in India. But more Indian companies are ready to pay big bucks today to listen to Indian management gurus who have made it big outside.

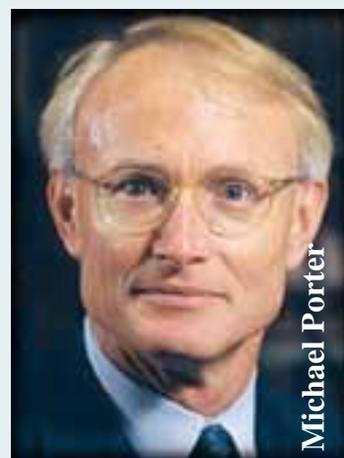
Currently, management is heavily reliant on Western thinking and practices. With Asia emerging as a big economic force perhaps it's time an oriental angle to management style and thinking is introduced.

Michael Porter tops

After the recent death of management legend Peter Drucker, the most influential living management guru today is Michael E. Porter, head of Harvard Business School's Institute for Strategy and Competitiveness, according to the rankings of **The Thinkers 50**, 2005. Porter's most influential book is *Competitive Strategy: Techniques for Analyzing Industries and Competitors*.

The Thinkers 50 ranking is based on the votes of 1,200 business people, consultants, academics, MBA students and visitors to the project's website.

Professor Porter's ascension is no surprise. After the new economy meltdown, strategy is fashionable again. More of a surprise is a massive surge of support for Bill Gates. Once regarded as the business equivalent of a James Bond villain, Gates's elevation to the No 2 slot suggests that he has successfully reinvented himself through a judicious combination of vacating the Microsoft hot seat and billion-dollar philanthropic giving.



Michael Porter

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Continued from page 1...

of managing diverse interests is said to be extraordinary. How else can he thrive alongside a political class for whom liquor barons are nothing more than moneybags? Above all, Dr. Mallya has turned a potential enemy, India's powerful aviation bureaucracy, into an ally.

Dr. Mallya is not a Harvard or a Stanford grad, yet he appears to be gifted with sharp professional management instincts. He's not just after flashy cars or glitzy executive jets. He is tech-savvy – a big believer in efficient systems. The UB group is one of the first to have introduced intranet for internal communication.

People do suspect Dr. Mallya's business acumen when it comes to non-liquor business. The number of his non-liquor acquisitions gone sour is not a joke. While he has managed to sell out some real big brands after

It may not be wrong to assume that Dr. Mallya's management philosophy suits mainly the liquor business. If he wants to make his airlines foray successful, he may have to reinvent himself. Perhaps he may already be doing it.

failing to nurture them, he is still hanging to a few loss making ones. Dr. Mallya has shown eagerness to take on big infrastructure projects such as the light rail and a naphtha cracker but backed out for reasons best known to him.

Yet, the daring side of him doesn't seem to be perturbed. He had got into ventures that were far ahead of their times like pizzas and non-alcoholic beverages. His current obsession with Kingfisher Airlines and the way he is acquiring aircraft as if they were toys, has many a finance analyst dumbfounded. But that's his style – when you see an opportunity, go for the kill. He doesn't seem to be the one who believes in taking calculated risks – either you keep calculating and lose the opportunity or take the risk – seems to be his philosophy.

It may not be wrong to assume that Dr. Mallya's management philosophy suits mainly the liquor business. If he wants to make his airlines foray successful, he may have to reinvent himself. Perhaps he may already be doing it.

Dr. Mallya is not averse to trying the unusual stuff. Although he's had a bad taste of politics – a learning that ordinary people are not drawn by money alone – he may be biding his time to make it big. He did dabble in spirituality for a while but today appears to have either picked up its nuances quickly and either practices them quietly or he couldn't see it doing much for him.

Dr. Mallya was the only child and a lot of his personality may be connected with it. But, he's admitted that bringing up his three children has given him a much wider perspective of life, which, invariably, influences the way he manages his business.

At 50, Dr. Mallya may be the perfect been-there, done-that type. It may be the right time for him to introspect on how he's going to plan his next decade. Globalization and a new-look India are already changing the rules of the game. Flamboyance and political networks may work only to some extent. Non-liquor businesses will need cutting-edge innovation and fresh thinking caps. Will Dr. Mallya be up to it?

Hero leader is dead

What it takes to be an effective leader has changed dramatically. The age of hero leader is ending. The whole idea that leaders can solve, manage and get through today's challenges all by themselves is no longer true.

According to the findings of the Greensboro, North Carolina (United States)-based Center of Creative Leadership (CCL), decisiveness and a willingness to "do whatever it takes" to lead are no longer enough to succeed. "Skills such as building relationships and the ability to manage change have risen in importance as the challenges companies face become more complex," states André Martin, an enterprise associate at the Center and the author of the report. The Center has campuses in Brussels and Singapore.

CCL surveyed 128 senior and middle managers. Sixty percent said they face challenges that go beyond their individual capabilities. As a result, the study concludes, managers must view their role as someone who facilitates the work of their employees. They can do this by providing their staff with the necessary resources and by making it possible for them to work collaboratively with people in different parts of the organization as they adapt to changing business needs.

The new findings contrast with a 2002 survey by CCL, which ranked resourcefulness and straightforwardness among the skills that were most important for leaders to possess. Today, these skills have been supplanted in importance by the ability to build relationships and to manage change. Consistent with these responses, 84 percent of those surveyed said the definition of leadership has changed in the past five years.

Martin says new leadership challenges stem from a more competitive business climate and abrupt changes in the way companies do business. "Technological change, new ideas—really any societal improvement—used to take decades to happen," says Martin. "Now, we're finding those changes can happen over a single 24-hour period."

Connected leadership is an emerging view of leadership as an inclusive and collective networked activity occurring throughout organizations. Out of this project grew the Changing Nature of Leadership (CNL) research. Its focus: to explore the current field of leadership and forecast future trends. CNL relied on several interdependent streams of research, including academic literature, surveys, benchmarking and classroom research.

More than 300 respondents completed one or more aspects of the research. Of these respondents, 84.3 percent believe that the definition of effective leadership has changed in the last five years—indicating some interesting trends in leadership. But the question remains—how has leadership changed and will it look different in the future?

It's clear that global organizations are at the cutting edge of collective leadership today. With the inclusion of a large international sample, the study examined trends in the United States versus non-U.S. organizations.

The findings show that global organizations made a significant jump from individual to collective leadership approaches from the past to the present, when compared to U.S. organizations.

The results across numerous data points to one conclusion: leadership is changing and approaches focusing on flexibility, collaboration, crossing boundaries and collective leadership are expected to become a high priority.

See full report: <http://www.ccl.org/leadership/pdf/research/NatureLeadership.pdf>





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❑ Is annual strategy meets like tribal ritual?

As the New Year dawns it's the time executives start worrying about how not to make a fool of themselves at annual strategy meetings. But there's hope, not in doing the same thing every year but doing it differently.



Few CEOs claim to be happy with the way their companies come up with strategy. Most say that the annual strategy-planning process yields few good ideas and is often fraught with politics. Is there a better way?

A study of strategic planning at more than 50 companies suggests that the annual planning get-together works best not as an exercise to develop a definitive strategy but as an opportunity to prepare executives' minds for strategies made at other, less formal times and places, say Eric D. Beinhocker and Sarah Kaplan in their article 'Risk and resilience' in McKinsey Quarterly special edition 2002.

The mismatch between effort and result points to a common dispiriting explanation: the annual strategy review frequently amounts to little more than a stage on which business unit leaders present warmed-over updates of last year's presentations, take few risks in broaching new ideas, and strive above all to avoid embarrassment. Rather than preparing executives to face the strategic uncertainties ahead or serving as the focal point for

Real strategies are rarely made in paneled conference rooms but are more likely to be cooked up informally - in hallway conversations or quiet moments of reflection on long airplane flights.

creative thinking about a company's vision and direction, the planning process "is like some **primitive tribal ritual**". "There is a lot of dancing, waving of feathers, and beating of drums. No one is exactly sure why we do it, but there is an almost mystical hope that something good will come out of it."

In a business environment of heightened risk and uncertainty, developing effective strategies is crucial. But how can companies reform the process in order to get the payoff they need? A key starting point, the authors say, is the acceptance of the counterintuitive notion that the strategic-planning process should not be designed to make strategy. Henry Mintzberg, a professor of management at McGill University, calls the phrase "strategic planning" an oxymoron. He argues that real strategies are rarely made in paneled conference rooms but are more likely to be cooked up informally and often in real time—in hallway conversations, casual working groups, or quiet moments of reflection on long airplane flights.

It was very clear, among the best-practice companies the

authors studied, that **those who carry out strategy must also make it**. Business unit heads can be supported by staff and consultants but cannot outsource strategy making to them. On the contrary, the heads of business units and other key line executives must personally invest their time in developing strategy and preparing for the review.

As one of the world's leading experts on creativity, Mihaly Csikszentmihalyi of Claremont Graduate University, has argued, creative thinking cannot be forced. Companies can, however, create conditions in which creative accidents are more likely to happen. Through their research, the authors identified two mechanisms by which companies increase the odds of **promoting creative accidents in strategy**: encouraging bottom-up experiments and driving top-down initiatives.

❑ Be abnormal to be an achiever

Relax. Set goals. Focus on the outcome. Lose yourself to the Zone. All reasonable, sensible, rational words of advice when you are facing a performance challenge, be it a big presentation at work, a crucial point in the game, or a career-launching music recital. And these are hopelessly, wrong.

Such self-improvement balderdash will do nothing but relegate you to a career in mediocrity. Overachievers don't think reasonably, sensibly, or rationally. If your wish in life is to fit in with the crowd, then you will head nowhere, says John Eliot in his recent book **Overachievement: The New Model for Exceptional Performance**.

Overachievers don't think reasonably, sensibly, or rationally.

Dr. Eliot has discovered through years of cutting-edge research in cognitive neuroscience and real-world coaching, techniques such as goal-setting, relaxation, visualization and stress management that flow just doesn't work for most people. He's proven that at high levels of business, medicine, entertainment, and sports, relaxing when the pressure is on is the wrong way to go.

In the book, Dr. Eliot offers the counterintuitive and unconventional concepts that have been embraced by the Olympic athletes, business moguls, top surgeons, salesmen, financial experts, and rock stars who have turned to him for performance enhancement advice.

- Using Your Head Is Stupid
- Setting Goals Is for Couch Potatoes
- All Those Eggs Belong in One Basket
- Legends Never Say They're Sorry

To radically ratchet up your performance, you'll need to change the way you think about becoming exceptional—and that means truly being an exception, abnormal by the standards of most, and loving it. Eliot teaches that overachieving means thriving under pressure—welcoming it, enjoying it, and making it work to your advantage.



Compliance holding CFOs back

Chief Financial Officers are so swamped with earnings reports and compliance work that they are not able to focus on growing their companies and driving shareholder value, finds a global study by IBM and Economist Intelligence Unit (EIU) released in December 2005.

The study of 900 senior financial executives show that only a third of finance chiefs think they are highly effective in supporting their CEO's efforts to grow their companies. Almost half of the executives polled said their finance staff was tied up in transactional and processing activities, while only a quarter of their staff was able to focus on using financial data to enhance their companies' performance.



CFOs "are excelling at reporting historical financial results, they are meeting their compliance requirements ... but they haven't been able to unlock from all the exploding data the real hidden gems of information that would help them uncover new business opportunities, identify trends or identify costly problems ahead of time," said Nancy Thomas, the global leader of IBM's Business Consulting Services Financial Management Practice.

Half of executives polled said they were highly effective at leading compliance programs, 43 per cent expressed medium effectiveness and 7 per cent said they had low effectiveness. CFOs have "decreased their emphasis on transaction processing and increased it on insight; however, in our opinion, it's not been quick enough and we do believe that compliance has contributed to it not being as quick," Thomas said.

But the study also showed that CFOs who are able to focus more on getting insight into their organizations are better able to decide on successful growth strategies and build shareholder value.

Since the last survey in 2003, CFOs have streamlined some transaction processes, Thomas said. But adapting to new compliance issues, like pension accounting, stock option expensing and the Sarbanes-Oxley Act of 2002, which requires tight internal controls and accounting procedures, have stalled their efforts. The 2003 study sounded more optimistic about the growing strategic role of the CFOs. But if the recent report suggests that this might have to wait.

Striking a balance is key for CFOs, Thomas said. CFOs who are bogged down with operational and financial details may have

trouble focusing on strategy, but a CFO who focuses only on strategy may not have enough operational information to make the best decisions.

Thomas recommended that financial chiefs standardize, simplify, and then work to improve transaction processes, and that they work more closely with other company leaders to drive innovation.

"In a mature market, innovation is really required to drive growth in new ways," Thomas said.

Best CFO of 2005

Neeta Revankar, CFO of Sasken, won the coveted India CFO Award 2005 recently. Sasken, a pioneer in telecom R & D outsourcing is based in Bangalore. The award recognizes Revankar's contribution towards enhancing the strategic scope of the finance function and the excellence exemplified by her in the domain.



The India CFO Awards were instituted in 2001 and are given to senior finance professionals within organizations who have demonstrated outstanding capabilities and achievements in the wake of fundamental transformations to their core functions. The finalists were chosen by a jury, which included prominent CEOs, CFOs, academics and previous winners. The SME category in which Ms. Revankar won, evaluates the financial management of a small-to-medium-sized company (with a turnover in the region of Rs 250 crores) based in India.

Ms. Revankar has been at the helm of Sasken's finance function for the past decade. During her tenure at Sasken she has been instrumental in bringing processes and discipline into the finance domain and making Sasken as one of the few companies in India compliant with the US GAAP Accounting procedure well before its listing on the Indian Stock exchanges. She played a prominent role in the success of the recent Initial Public Offering (IPO) of Sasken, which was oversubscribed 78 times. Revankar said she has tried to adopt and institutionalize global best practices in finance in her company.

The award is instituted by International Market Assessment India Private Limited, a research and business information company.

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Followers cannot be innovators

You have to create something new, which is relevant to the customer. So the passion driving you to be innovative should be on behalf of the customer.

Normally, when you talk about innovation, they are mostly success stories. Are there any failures in AMD?

It's almost scary as the number of failures we've had is equal to the number of successes. But, we don't usually talk about it because we think of them as learning experiences. There are many cases, for example, when we made the decision to extend the architecture to 64 bits from 32 bits, we actually believed that we could do that by staying with a single course strategy for a long period of time and we actually committed to a single strategy course for a very long time. After we worked way into the execution piece and when we talked to our customers, it became apparent to us that that it was not going to work, and we had to completely step back and start it all over again.

So this year we announced a dual core technology for the first time, which is being well accepted. So, that was the result of making a bad judgment. One important thing is, it doesn't end or start, it's a continuous process. When you make decisions and move down a certain path, every second of every day, you need to stay on top of it to innovate because you might learn something that caused the change. We have a long history of mistakes and although now when people are openly talking about the position of leadership that AMD has in microprocessors, but we wouldn't be in the leadership position we are today if we hadn't gone through all that learning.

How do you measure innovation at multiple levels of your company, how do you recognize innovation?

There are traditional ways of measuring, which is considered representative somehow or the other, like whether you are creating an intellectual path of your portfolio, inventions, patterns or revenue generated from the product. People can write patterns without being innovative. People can be inventive without being innovative.

You need to have a management team, able to sense if innovation is happening or not. Does it feel right despite what the numbers show? Do we feel innovative? Do we have the peculiarities to do things differently? Do we shy away, are we aggressively attacking, how we feel for it? In fact, that's one of the most difficult things for the leadership team to do. Because,

it's not easy to measure, it comes from experience, it comes from conviction, it comes from a desire to keep their innovation flame alive and going. I always ask if there are enough green-haired people in the company? What I mean is if there are people, who are different, people who can think differently so that we don't get stuck in a rut. Some of the large, prolific companies in the world today in terms of measurable things like patterns are, frankly, not innovative anymore.

How do you involve customers in innovation?

Every quarter we have intensive meeting and discussions on what the customer is thinking and where they are going. I personally spend time visiting not only customers, but also end users. In fact, one of the most productive ways for us to understand our customers is to actually dialogue with the end-users of the product. Then we are able to understand our customers even better. We have a fairly intense, both formal and informal, interaction with various levels of our customers. We call the meetings, we have with them 5 by 5, meaning from five different levels of the company that meets and share ideas, from the CEO to the engineer.

The turning point for AMD was in the third quarter of 2002, when we nearly went out of business, we ran out of money, stock was down to three Dollars, sales were terrible. That was when the management team and I got together in a room and asked ourselves how are we going to carve out of it? That's when we told the AMD people that we are never going to be a great company if we are only going to be a follower, we have to innovate ourselves into a leadership position. That day, we decided to go after the server in the enterprise market. That was the most difficult, most challenging, and the one that our competitor had the strongest hold on. So by focusing on high-level of expectation, a phenomenal level of transformation was expected. We started talking of winning and not just following, we were talking of being number one and not number two, of becoming a great company and not just a good company.

Excerpts from Q&A at Times Leadership Forum, Dec.05, Mumbai

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Dr Hector Ruiz Chairman, President and CEO, AMD Inc

We are never going to be a great company if we are only going to be a follower, we have to innovate ourselves into a leadership position

Beyond spreadsheets – Technology for the modern CFO



CFOs today have several work dimensions to which they are directly responsible or accountable – Executive / Corporate roles which includes Planning, Budgeting and in some cases managing IT as well, Controllershship, Audit, Taxation, Treasury & Corporate Finance, Business Finance & Costing, Compliance, Governance, Secretarial, Investor relations etc. to name a few. Most of these activities go well beyond traditional number crunching and naturally involve dependence on diverse technology. Let us look at some of these technologies that go beyond the world of spreadsheets.

Basic technology: Financial Operations

Financial Operations include Controllershship functions (Accounting, Payroll, Financial reporting, policy support), Audits, Taxation, Compliance, Governance & Secretarial responsibilities. Depending on the industry and domain complexity, technology solutions vary and are geographically unique especially for small and mid sized businesses – e.g. QuickBooks and Peachtree in the US, Sage in UK and Tally/Profit in India. Products and solutions for larger businesses are either custom built or are available as part of ERP platforms such as Oracle Financials, SAP etc. ERPs extend functionality of financial software. Industry specific ERPs are even more refined and include built-in metrics or decision support algorithms.

Payroll solutions are very regional even within countries owing to government policy impact and the unique nature of businesses. Financial reporting systems are standardized and are built as per statutory norms (e.g. GAAP) and require customization for internal MIS and controls. Business finance is a very specialized area that could include solutions for manufacturing accounting, statutory and regulatory calculations especially for global business transactions. In India, companies such as Udyog Software focus on unique regional needs for excise, sales tax and other commercial compliance requirements. However with mainstream taxation moving to international standards such as VAT, standalone systems would give way to global financial management software with inbuilt document creation/management and computational models.

For audits and business continuity, companies consider document management and workflow solutions (traditional players include EMC Documentum and Xerox while Indian vendors include Newgen, SRA and MMCS who offer domain specific document management and workflow solutions). Emerging technology companies combine content management

/ digital asset management with the above (e.g. Onbase from Hyland Software, OPTIX's scanning, workflow and screen generation, Nextpage for document collaboration etc)

Mid-range technology: Compliance, Governance & Secretarial

Given that most business are going global, business controls, compliance and governance assume paramount importance since most financial transactions today between companies and their branches, subsidiaries, governments and banks are online. Compliance and governance systems are available either as standalone systems or bundled with ECM (enterprise content management), document / workflow systems.

Compliance and Governance have become more critical as legislation across the world (e.g. SOX, Basel II etc and several capital market related compliance measures) have been brought under tightly controlled processes, timelines and audits. Since these areas need customization, in house tools are more popular.

Compliance and Governance have become more critical as legislation across the world (e.g. SOX, Basel II etc) have been brought under tightly controlled processes, timelines and audits

High-end technology: Financial planning, analytics, risk management and CPM

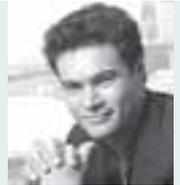
Financial decision analysis, risk management and corporate performance management are a key component of CFO responsibility. Today, off-the-shelf solutions are available both as standalone systems and as extensions of financial ERPs or financial analytics software. Risk management solutions are more specialized and corporate performance management leverage metrics, decision support, data analysis and forecasting. Most of these solutions need organization discipline for data gathering, process clarity before implementation and executive sponsorship.

Key providers include SAS for financial intelligence solutions; FRx software for comprehensive analytics; PROPHIX software for financial planning capability; COGNOS for CPM (Corporate Performance Management); EGIP for financial risk management, M&A & Fast close solutions; and ISG Novasoft for Enterprise risk management solutions)

So where is the catch? Well, for starters, all of the above needs CFOs to be tech-savvy, balance operational and strategic needs, fund, own and drive technology initiatives / ROI and be involved in critical phases of implementation. When all of the above does not work and you need to meet that deadline, there is always the ubiquitous spreadsheet!!

Ranganath Iyengar is Managing Partner, Strategic Interventions India Pvt. Ltd. www.siiplconsulting.com

Choose the right playground



By Roger Hamilton

Recently, I was with my children in London. We were out looking for a playground - not many to be found in a city of seven million people! We eventually came across one in Hyde Park. Now imagine this: Here is a park of 630 acres with a lake so large there is an island in the middle of it. Next to the lake is a square patch about the size of a small cabbage patch which has been fenced off with some swings, roundabouts and climbing frames. This is the Hyde Park playground. The park is peaceful and empty. The playground is packed with over 150 hyperactive kids.

No sooner had we gotten into the playground, and my two youngest had escaped out of the gate and were playing around the park trees. I chased after them and caught my youngest, Luke, who is 5 years old. Teresa, 6, emerged from the bushes for questioning.

“Why aren’t you playing in the playground?”

“Because this playground is much bigger and better.”

Not to be outdone by a 6-year-old, I decided to make my case with reverse logic.

“If this is a better playground, why aren’t all the other kids in it?”

Theresa shrugged and said: “Maybe they didn’t know they could open the gate.”

Change the game, or change the playground? Content is the game we play. Context is the playground. There was a time not so long ago in business when the fences didn’t move much. The playground was relatively stable, and you could build value by building content. Focus on product, focus on service, focus on brand. In the last five years, the fences have come down, and those who have understood the shift have experienced enormous value transformation.

This year Michael Dell changed his playground. He renamed his company from ‘Dell Computers’ to ‘Dell’ and shifted from being a computer company to a consumer electronics company. In the process, his game didn’t change but his playground grew ten times in size.

This month Howard Shultz, Founder and Chairman of Starbucks, announced he intends to transform the music industry. The music industry? Starbucks now has 30 million people passing through their 8,000 stores every day. Since March Starbucks has been testing CD-Burning stations, loaded with 150,000 popular songs: You walk into a Starbucks, tailor a coffee

the way you like it, listen to music, tailor a CD the way you like it, print your personal CD cover artwork and walk out with caffeine in your body and music in your pocket. As US Magazine says: “Think iTunes meets Tower Records. With Lattes.”

Howard says, “We are the most frequented retailer in the world. Because of the traffic, the frequency, and the trust that our customers have in the experience and the brand, we believe strongly that we can transform the retail record industry”. While others are copying their game, Howard has already found another playground. “*The greatest obstacle to discovery is*

not ignorance. It is the illusion of knowledge.” Daniel Boorstin

You don’t need to wait until you’re running a Fortune 500 company before you change context. In 1999, Singapore market watchers scoffed when Choo Chee Kong left the corporate world to start his own firm, SBI-E2 Capital, to help companies list on the Singapore Stock Exchange. The general view was that he couldn’t succeed as the market simply wasn’t big enough and he was up against well-established players.

To succeed, Chee Kong thought outside the box. He flew to China to meet with pre-listing companies who needed foreign investment to build their credibility. He began bringing them to list on the Singapore Stock Exchange. Within a year he had attracted US\$174 million in equity for E2-Capital and had set up offices in China. In 2003 he managed 17 IPOs and 16 placements, making his firm the #1 placement firm in Singapore and earning him the title “Mr. IPO.” Five months ago, SBI-E2 itself became a listed company, and today has a market cap of \$75 million. He didn’t change the game. He just changed the playground

At your next brainstorming session, ask what context you could operate in which would automatically double the value of your service, and double the value of your business.

There is no question as to whether we can change playground. The only questions are whether we know where we have set the fence, and whether we realize how easily we can open the gate.

“There is no security on this earth, there is only opportunity.”

- General Douglas MacArthur

The author is Asia's leading wealth consultant. He's the author of the bestseller 'Wink & Grow Rich' www.rogerhamilton.com

**Change the game, or change the playground?
Content is the game we play. Context is the playground**



How SAP makes the difference

SAP's ERP solutions have brought in major business efficiencies to companies such as Hero Honda and Adeep Locks

HERO HONDA vrooms with SAP

When Hero Honda Motors Limited (HHML), a renowned two-wheeler maker, decided to implement SAP to keep pace with the technological advances in the market and the ever-changing needs of the consumer, what they got was an ERP system that helped the company improve quality of its products significantly. Other gains were significant improvement in operational processes and standardization of order processing. In addition to these, the company gained in better real-time information on product cost, profitability analysis, dispatch and production status.



MOTIVATION FOR CHANGE

HHML's vision was to align IT with business and accordingly an information system plan was drawn up. The company wanted to consider only state-of-the-art systems and one that had a clear road map for the future including conduct of business over the Net. The management wanted a standard ERP solution. Its idea was to partner with a technology vendor capable of taking them forward as the business expectations continue to rise.

SAP'S ROLE

The company evaluated BAaN and Oracle. The overwhelming presence of SAP in the automotive sector was one of the important reasons for its selection. The project took off with a great start. "We will continue to make every effort required for the development of the motorcycle industry, through new product development, technological innovation, investment in equipment and facilities and through and through efficient management," said Mr. Brijmohan Lall Munjal, Chairman and Managing Director of HHML.

BENEFITS TO HHML

SAP's ERP helped in improving quality, access and usage of transactional data and suitably eliminated multiple entries.

"One of the main reasons for the success of SAP project is that it was perceived as a business project, and not as an IT project. And different functional heads and module leaders were also involved in the project," said S R Balasubramanian, Vice President, Information Systems and Project Manager, SAP project.

Adeep Locks takes the leap using SAP

Adeep Locks Ltd is a pioneer in manufacturing locks, wheel rims, wheel assemblies and handle bar assemblies. Its flagship – Adeep Locks – is a leading OEM supplier of locks to two and four-wheeler manufacturers.

After Adeep Locks chose SAP's ERP solution, results were clear in a year's time. The company achieved transparency in operation, cost cutting and improvement in planning. Being a relatively small company with over 100 vendors – some spread across far-flung areas such as Mumbai, Chennai and Kolkata – the company aimed at integrating its data systems in order to obtain information instantly.

CHOOSING SAP

The selection process took over a year. For a company of such a small size, the cost of implementing an ERP solution was of utmost importance. "For us, it was a long-drawn process. We approached several solution providers and application implementers, before choosing SAP," said T. N. Ramanathan, General Manager. "It was felt that the costing module was best addressed by SAP. Also, on comparing with other solution providers, it was felt that SAP can address all our requirements and many gaps would be plugged," added Ramanathan.

BENEFITS

According to Ramanathan, the benefits were visible within the first year of the go-live date (September 2004). "Earlier, it was so difficult to get information. One had to coordinate with various departments and it took so much time. Today, if you are authorized to get some information, you can get it instantly. As a result, the company is able to plan better."

Employees have become quite IT savvy, though earlier they had a lot of apprehensions about the ERP solution. However, Ramanathan feels that the real benefits of implementing SAP will begin to show in this (2005) financial year, when the company expects a growth in turnover of 25 per cent. And this excludes the revenue coming from the two new plants. "SAP's solutions have helped us bring about transparency within the company. Information is available instantaneously to anyone who is authorized to get it. And this has substantially improved planning. From here on, we can chalk out our expansion plans in a better manner," said Ramanathan.

How a 'bahu' turns business savvy

Hema Hattangady could well be the new face of India's resurgent business woman.

Hema has rebuilt a loss-making company to a respectable Rs. 60-crore fighting outfit. While doing so she did have to step on a few raw nerves of her family.

My first challenge was to convert a family-managed business into a professional, knowledge-based company. The biggest learning was – you treat a professional like a professional and the rest follows. There have been a lot of hard lessons along the way. The big one is balancing trust and contractual agreements at the same time. The second learning is about understanding what makes people stay on. Also, strategizing into making sure that you are always a little ahead of the others.

In 1996, Ashok, my husband, an engineering graduate and a MS from Texas University, my father-in-law and the family were all closeted in a meeting with their buyer Alacrity Foundation. Alacrity wanted to buy Conzerv's stabilizer business and merge with its own. I opposed the idea of a sell out and that made the deal fall through. That's when Conzerv decided to go on its own, it had no cash flow, no customers and no marketing network.

The responsibility of promoting and taking the products across the span of the country fell on my shoulders. It was at this time when that Indus Venture Capitalist Mr. T. Thomas came into the picture. The Indus Venture Capital, India's first risk venture capital, decided to fund Conzerv and three years later I became the Managing Director.

Mentor

The transition was very difficult initially. But, once I got a free hand, I was backed by the chairman. He believed in me. Once you have a mentor, who backs you, you have the confidence to go for ahead. I happened to go for a five-day Harvard program for CEOs. When I came back I implemented everything I learnt. I wrote back to the professors and thanked them. And they said that they had never been written to by a student before. I learnt one thing very quickly that if I listen to others' mistakes, which they call experience, I will not make them myself. I call it the survival instinct. I feel women are survivors. I think women make better managers.

It's not been very easy. I found out, like Andy Grove (Intel founder) did, that only the paranoid survive. Like when Ashok, my husband (who is the Technical Director at Conzerv) says, he has a great idea, my first question is: "if it's so great, how

come nobody else in the world has made it." I apply that logic to everything I do and I find that it works because it helps you to root yourself very firmly to the ground. I think with this attitude we can avoid making a lot of mistakes.

Well, there were lots of things. First of all, like I said, professionalising the company, so the systems were put into place. We are an industrial meter manufacturing company essentially. But, my vision was to grow it much beyond that and we positioned ourselves in a very unique way. We said that we don't make only meters. We don't just give you a solution to cut cost - we are into energy management and there is no management without measurement (that's the rule of life).

We differentiated ourselves entirely from the run-of-the-mill. That helped me because, today the meter has become a commodity. Like someone was telling me, energy has come from the boiler-room to the boardroom. So I just had to build a great team, stay out of the designer's way and just give

my team the encouragement it needed, allow experiments and the luxury of failing on the way. And I think this strategy has worked. I have taken the turnover of the company from Rs. 1 crore to Rs. 60 crore this year. But there's a lot more to do. The market potential is enormous.

Managing male egos

Well, Ashok has been wonderful as a professional and a husband. He has absolutely no problem in reporting to me. I think one of the reasons is that he is very secure about the fact that he is a wonderful designer. One of my competitors has told me that he is one among the top five designers in the world. And he is extremely humble about it. Ashok takes care of the design aspects and does what he loves best.

Once in an interview to a radio station Ashok said working with me was wonderful. He said: "She pushes me to do my best. At the same time, she keeps out of what she should not be doing." So we have a very unusual kind of partnership - where there is tremendous amount of mutual professional respect and we never carry work home.

Looking back, I think I intuitively knew I had to keep the shareholder and employee interests at heart. Nobody had taught me that and I had no prior experience in any company apart from working a few years in advertising. So, female intuition and instinct rarely fail you.



I feel women are survivors. I think women make better managers

Should the CFO be a whistle blower?

Sessions Chair



Vishwanathan Iyer

Director, Acquisitions & Divestiture, IBM Global Services.

Panelists



Abhishek Goenka
Partner
BMR Associates

Ravi Vishwanath
CFO
Sun Microsystems



N Shridhar
CFO
Britannia Industries

P. Thiruvengadam
Director
Deloitte Haskins & Sells

Chairman's remarks

Going by several things happening in the Western world, there is an aura of danger. It's a cool thing to be an accountant today. To be where the crime scene is. In the Indian context, is what is happening in the West relevant? Should the CFO be truly responsible for the criminal act of the company. Should he blow the whistle all the time, should he walk away?

Is the punishment suggested to the CFOs for false certification (10 to 20 years, as against 11 to 14 years for second degree murder) excessive? Is this out of proportion or out of context to India.

Abhishek Goenka: It's a topic that keeps us all awake. It's always been a challenge to provide a proper mix of regulatory and market-based incentives. Any government, whether US or Indian, has in my mind have gone overboard in trying to legislate and create rules to fashion behavior from boards, CEOs, and CFOs in a particular manner. Let me get a little bit into the Indian context.

In Clause 49 CEOs and CFOs having to certify the fact that there is no material history of financial misstatement and all weaknesses are identified and shown to the auditors and there are no transactions that are fraudulent and illegal and violating laws. What is worthwhile to ask is what's the need for this certification? Are we suggesting that if the certificate was not there CEOs and CFOs did not have responsibilities for all that they have now affirming in a written and formal way? Fundamentally, the CEO and more importantly the CFO, is responsible for the financial functions, is responsible for financial results, for operations and financial control. I think it's important

to ask ourselves why is the certificate there? On the one hand we say the CFO is no longer the bean counter and no longer a 'munshi', and is a partner to the CEO, he looks at strategic alliances and at the same time he has to certify that I certify that all account statements are correct, there is no misstatement. Isn't there a fundamental conflict here. On the one hand, what corporates expects the CFOs to do, the other hand the regulators are trying to say.

On should CFOs be held criminally liable for fraud? If there is a fraud, yes, the CFO should be held liable. But the larger question is there some sort of creating a scapegoat here, because there is a larger regulatory perspective. It's not that the CEO and CFO have to give certificates, there's a board responsibility statement that's mandatory. There's the whole audit committee charter that's being discussed on how they have to interact with CFOs. So, when we focus all the energies on the CFOs are we making him a scapegoat? Let's keep in mind a fraud is a fraud once detected. There could be a situation when there are a whole lot of wrong things going on and until it is detected nobody knows about it.

I think that's the kind of fundamental issue. If there is such a strong legislative structure that's being created right from the board, independent directors and audit committees and so on? Then where's the question of a fraud happening, if it does happen, then aren't we saying that the rules haven't helped anyway. There is an attempt by the lawmakers to say that we want to make rules and assume that all rules are going to take care of everyone and induce certain moral behavior in people. I think it doesn't work that way. I think the rules are there and rules need to facilitate behavior in business. But here we are talking about

moral and ethical behavior and driven more by practices of what corporates want to do and not so much driven merely by rules and making people certify and instill fear of fraud and fear of going to jail. I think that's something that really won't make anyone change their behavior.

Ravi Vishwanath: Should the CFO be criminally liable for fraud committed by the company? If this question was asked several years ago and the answer would have been no. But, given the facts that the CFO has evolved in the last few years from a bean counter to the trusted colleague of the CEO. Given the fact that there has been a revolution in the CFO's role due to globalization and IT revolution, the answer to his criminal liability is both yes and no. The CFOs today have far more intimate knowledge of what is happening in their companies. Today, he operates more like the COO rather than the CFO.

According to a recent survey in the US, more and more companies are doing away with the role of the COO and expect CFO to take over that role.

In this scenario, if the CFO is aware of the fraud committed by the company he should be held responsible, but if someone else commits a fraud and he is not aware, he should not be held responsible. I think a line has to be drawn somewhere. I guess this debate will go on. What's happened for the past many years, the CFO has evolved into an operational person, in charge of merger, strategy or innovation. This is where the maturity of the individual comes to play to assess the potential risks. This depends on the individual, who requires certain level of maturity before saying yes and I can decide that this is the way forward and take up from there. Today, the CFO has a significant responsibility towards all stakeholders. Though the CEO enjoys the overall charge, it is the CFO who communicates the financial well-being of the company to all the stakeholders. In this background, if you were to ask if the CFO is criminally liable, the answer is no. With regard to the background of what's happened in the last two years maybe the authorities today have stringent rules. Hopefully, in the coming years, there could be a slackening of these stringent controls.

On whether the CFO is a whistle blower, that is a very debatable question. Are we ready for it? How does society recognize a whistle blower?

Chairman's observation: There's a bit of danger here. But if you put in the context and look at criminal prosecution, at least, in the US where the internet provides a lot of records, I could group into two broad categories: One where there is a personal benefit enjoyed by the CFO, like buying or selling shares, buying or selling properties. The other category is where the company manager is just pushing the envelope, just crossing the border – could be revenue recognition, give and take with the vendor etc.

N Shridhar: I actually touch upon a very sensitive topic. There is an ethical dilemma here. The public expects a very high standard of performance, ethical behavior from the

management. It's not restricted just to the CFOs, but extends to the CEOs, the board, etc. Now, in a typical situation, the CFO who is in a senior position, when he gets an inkling of something fraudulent happening where does he go? What is the forum for his redressal? He may want to go to his boss, may be to the board.

The logical aspect of ethical dilemma is if he blows the whistle he is fired. I'm not talking about an apparent fraud but about certain value judgments, which one takes as part of the job – like revenue recognition, preponing revenue, inflating profits. End of the day it's a question of how one tries to judge. So where does the CFO go to redress his concerns? How he reacts to the situation is also important – he can keep mum, be part of the system and keep killing himself, in frustration can resign or blow the whistle. Each has its own repercussion and most importantly is the burden of carrying it through. That's about the ethical dilemma one faces. One always knows what's the right thing to do, but doing that is the difficult part.

Coming back to the whistleblower's policy, it suffices to say I do not want to debate it. I say the CFO should be a whistleblower. While whistle blowing is not mandatory today in India today, while it is under the Sox system in the US. Clause 49 suggests that you may have a whistle-blower policy but you need to give protection to the whistle blower, ensure that he is not victimized. And communicate the policy across the company.

I think whistle blowing is much beyond a CFO, it is a concept. If it is properly written and communicated across an organization, it will help. Whistle-blowing is not a CFO's sole responsibility, it is a shared responsibility of all in an organization.

P. Thiruvengadam: One thing we have to look up is what's the auditor's role? How far is this role being compromised and the apparent shift of responsibility seems to be towards the CFOs. This is something that needs to be given a serious thought.

The choices we have are two – whether to go by the British system where one is not guilty unless proven and the French system where one has to prove that he/she is not wrong. Are we, with clause 49 moving towards the English or the French systems?

In any criminal liability you have look at intent and or the act. The act could be due to commission or omission. The reason for stringent punishment for CFO is because of the general belief that the CFOs seem to know everything that is happening. So the punishment should vary between intent and an act.

According to me, no amount of debate on this subject is going to take us anywhere. What we should do is to make clear action-oriented and meaningful representations with the legislature or the judiciary. We need to clear issues about when and where something is liable. Remember that the whistle blowing per se is not an issue. The emphasis should be on the protection of the whistle blower.

This debate was held at CFO Meet organized by CII in November 2005.

Think Naked: Childlike Brilliance in the Rough Adult World

By Marco Marsan, Peter Lloyd

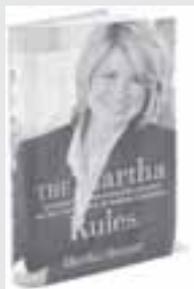


Don't you wish you had what it takes to handle all the stuff that life serves up? Well you do - at least you did. You were once fully equipped to make life an incredible experience. The fact is that 98 percent of us are geniuses early in life, and almost all of us lose our genius. Is it lost forever? No. Champion of creative thinking, Marco Marsan will reunite you with your childhood creativity, your unbridled curiosity, and your exuberance for life. Each chapter will unlock the spirit of your childhood genius, buried deep within, as you attack fear - the main enemy of your childlike mental agility. Each exercise in the book is designed to help you undo years of negative conditioning. Marco operates on the premise that if we could think as nimbly as a child and combine that power with our adult library of knowledge, we would achieve life-and world-changing breakthroughs.

Author, marketer, corporate anarchist, and founder of Marco Polo Explorers, Marco Marsan was named one of America's top Out-of-the-Box thinkers by the Mazda Corporation. Employing his out-of-the-box approach, Marco and his Explorers have helped create a long list of remarkably successful new products for some of the biggest and smartest marketing companies in the world. Not content to keep his success to himself, Marco has spoken to tens of thousands of people on the power of innovation and creativity at his Think Naked! speeches. He believes everyone can unleash the naked spirit of their childhood and enjoy a life full of optimism and success.

The Martha Rules: 10 Essentials for Achieving Success as You Start, Grow, or Manage a Business

October 2005, Rodale Press, Incorporated



Martha Stewart is an undeniable force in the business world. One of the world's greatest entrepreneurs, she turned her personal passion into Martha Stewart Living Omnimedia, a billion dollar business. This Fall she's breaking new ground with two television shows from NBC—her reality show *The Apprentice: Martha Stewart* and her daytime syndicated show *Martha*—as well as a radio program on Sirius satellite radio which will provide daily round-the-clock how-to content. What's her secret for success?

Now, for the first time, Martha Stewart shares her business knowledge and advice in this handbook for success. Tapping into her years of experience in building a thriving business, Martha will help readers identify their own entrepreneurial voice

and channel their skills and passions into a successful business venture. Her advice and insight is applicable to anyone who is about to start or expand a venture of any size, whether it is a business or philanthropic endeavor, but also to individuals who want to apply the entrepreneurial spirit to a job or corporation to increase innovation and maintain a competitive edge.

Featuring Martha's top principles for success, as well as stories and anecdotes from her own experiences, *Martha's Rules* is sure to appeal to business readers, fans, and anyone who admires her for her style, taste, and great advice—and who have great business ideas of their own!

Smart Leadership: Insights for CEOs

by Gita Piramal, Jennifer Netarwala, Penguin Books India, Dec. 2005, Rs 325.00

For corporate leaders, the challenge is to find new ways of doing things. *Smart Leadership: Insights for CEOs* presents twelve CEOs who have done just that, and set new benchmarks for growth and performance in their respective industry in the process. More outstandingly, whether it is Kumar Mangalam Birla, N.R. Narayana Murthy, Rahul Bajaj or K.V. Kamath, they have shown how such growth can be sustained, year after year, even as the business environment becomes, in the words of one CEO, 'ferociously competitive, rapidly changing and fluid'.

In this compact but insightful book, Gita Piramal and Jennifer Netarwala draw insights from these CEOs, heading companies as diverse as Lijjat papad to Tata Consultancy Services, on how they accomplished their goals in such a competitive environment, and what others can learn from them.

Asian Brand Strategy : How Asia Builds Strong Brands

Martin Roll, Palgrave Macmillan, December 2005



Towards 2020, a rapid changing landscape will emerge in Asia where the opportunities for Asian companies to benefit from international branding efforts will be larger than ever before. The growing emphasis on shareholder value and brand strategy to drive value will move up the boardroom agenda and become one of the most prominent drivers of value in Asia Pacific.

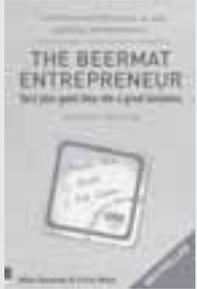
Asian Brand Strategy offers insights, knowledge and perspectives on Asian brands and branding as a strategic tool and provides a comprehensive framework for understanding Asian branding strategies and Asian brands, including success stories and challenges for future growth and strengths. The book includes theoretical frameworks and models and up-to-date case studies on Asian brands, and it is a must-read for Asian and Western business leaders as well as anyone interested in the most exciting region of the world.

The book presents the Asian Brand Leadership model

illustrating the paradigm shift Asian brands need to undertake to unleash their potential.

BeerMat Entrepreneur Turn Your Good Idea Into A Great Business 2nd Edition

By Mike Southon, Chris West, Oct 2005



BeerMat Entrepreneur became an instant bestseller on publication in 2002. It has helped tens of thousands of people thinking about starting a business to understand how to turn a good idea into a great business.

In the three years since BeerMat Entrepreneur was originally published, Mike Southon and Chris West have met literally thousands of people at every stage of starting up, from thinking about it through to growing up businesses. The experiences and feedback of these people has overwhelmingly supported the BeerMat methodology. In this edition, the authors have distilled the feedback from entrepreneurs to fine tune BeerMat so that it offers exactly what entrepreneurs are looking for. The new edition offers more advice on working with a bank to your greatest benefit, more info on how to grow your business, and much needed advice on what to expect and how to handle the 20-plus employee stage.

Brilliant Manager: What the Best Managers Know, Do and Say

By Nic Peeling, July 2005,



Every manager wants to be brilliant - to be the best they can be. We all want to be successful and respected. We all want to do the right thing in the right situation to get the result we want.

Brilliant Manager is designed to give you a head start over those learning just from experience. It contains an invaluable mixture of generally agreed best practice and the experience of others to provide tools, tactics and techniques for every situation.

The book provides guiding principles to manage by and the handful of most valuable things you need to know and do in a broad range of managerial situations.

There is a lot that can be said about management and leadership that can be described in very black and white terms, but often isn't. This book is designed for every frontline manager. Based on management theory, management science and experience, translated into pure practice.

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ManagementNext's

Selection of 10 Most Influential Management Books in 2005



1. **Managers not MBAs: A Hard Look at the Soft Practice of Managing and Management Development,** Henry Mintzberg



2. **The Ranbaxy Story: The Rise of an Indian Multinational,** Bhupesh Bhandari



3. **Brand Sense: Build Powerful Brands through Touch, Taste, Smell, Sight and Sound,** Philip Kotler (Foreword), Martin Lindstorm



4. **India in Mind:** Pankaj Mishra (Editor)



5. **Jose Mourinho:** Luis Lourenco

6. **Think Like Your Customer:** Bill Stinnett

7. **Freakonomics: A Rogue Economist Explores the Hidden Side Of Everything** Steven D Levitt

8. **According to Kotler: The World's Foremost Authority on Marketing Answers Your Questions,** Philip Kotler

9. **The Argumentative Indian: Writings on Indian History, Culture and Identity,** Amartya Sen

10. **Thinking for a Living: How to Get Better Performers and Results from Knowledge Workers,** Thomas H Davenport

Marketing mix standardization: a cross-cultural study of four countries

Richard Alan Kustin, *International Business Review*, Volume 13, Issue 5, October 2004, Available online: [Sciencedirect.com](http://www.sciencedirect.com)



The study researched the possibility of standardizing marketing mix by investigating cross-cultural responses from the United States, Brazil, France and India. The study tested the premise of standardization by determining whether the respondents perceived the

specific attributes of a common non-durable consumer product as same or differently. The results show that though opportunity for dynamic marketing standardization remains limited, it is applicable only in specific cultural country markets. Similar attributes between the US and foreign respondents suggest that advantages may exist for a limited implementation of marketing mix standardization as part of a global marketing strategy.

Financial Liberalizations, Corporate Governance and the Efficiency of Firms in Indian Manufacturing

Uma S. Kambhampati, *Structural Change and Economic Dynamics*, Forthcoming, Available online: [Sciencedirect.com](http://www.sciencedirect.com)

In this paper, the author argues that the way in which a firm is financed will affect its efficiency. Firms obtaining finance from the government are likely to be less efficient than firms obtaining finance from banks or Foreign Financial Institutions (FFIs). Author analyzed these issues by estimating a stochastic frontier for firms in seven manufacturing industries in India where these differences have been reinforced by financial de-regulation.

Results indicate that the government is generally less effective in monitoring the firms, indebted to it, but neither banks nor Indian Financial Institutions (IFIs), is particularly efficient. Though the impact of FFIs on firm efficiency is insignificant, foreign ownership has a positive impact in a majority of the industries. Finally, likelihood ratio tests confirm that while the government and IFIs have a similar impact on firm efficiency, banks are quite distinct in a majority of industries.

Stacking the Deck: The Effects of Top Management Backgrounds on Investor decisions

Monica C. Higgins and Ranjay Gulati, *Strategic Management Journal*, Volume 27, Issue 1, 2006, Pages 1 – 25,

Available Online: <http://www3.interscience.wiley.com>

Young firms going public depend on the decisions of investors for a successful public offering. With limited track records and faced with the challenge of gaining legitimacy in

their respective industries, convincing investors is not easy for such firms. This paper examines ways in which select information about firms undertaking an Initial Public Offering (IPO) can affect investor decisions.

Building upon recent research on upper echelons and signaling theory, the authors propose that the composition of a firm's top management team can signal organizational legitimacy that in turn affects investor decisions. In the context of young firms undertaking IPO, such signals are critical, especially when objective measures of firm quality are not easily available. The article introduces a typology of signals of organizational legitimacy to elaborate on author's hypotheses.

Analyses of a comprehensive set of data on the career histories of the top management teams of young biotechnology firms show that investor decisions are affected by the extent to which a firm's top management team has employment affiliations with prominent downstream organizations (e.g., pharmaceutical companies), with a diverse range of organizations, and upon the role experience of one key member of the top management team - the Chief Scientific Officer. The article finds that these effects are not mediated by the prestige of a firm's lead underwriter.

Efficiency, Flexibility, or Both? Evidence linking strategy to performance in small firms

Jay J. Ebben and Alec C. Johnson, *Strategic Management Journal*, Volume 26, Issue 13, 2005, Pages 1249 - 1259

This paper analyzes small firm performance in relation to efficiency and flexibility strategies. Using configuration theory, the authors propose that small firms that pursue efficiency strategies or flexibility strategies outperform those that attempt to pursue both. Additionally, size is used as a configurational attribute to develop competing hypotheses on whether efficiency strategies or flexibility strategies are better suited for small firm performance. In two samples of 200 and 144 privately-held small firms, firms that mixed efficiency and flexibility strategies significantly underperformed. No significant performance differences were found between firms utilizing only efficiency strategies and those utilizing only flexibility strategies.

Towards Framework for Knowledge Management Implementation

Ravi Shankar and Amol Gupta, *Knowledge and Process Management*, Volume 12, Issue 4, 2005, Pages 259 - 277

The implementation of Knowledge Management (KM) in an organization involves the integration of knowledge from the domains of strategy, structure, processes, and technology. These domains are generally underpinned - when assimilating roadmaps for holistic KM implementation - with standard KM models in the literature. The pioneering models manifesting the holistic growth of knowledge in an organization are generally used to underpin the knowledge-based segregation of organizational structure. However, some authors take a critical view of such

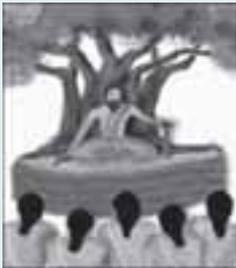
theoretical models, and instead suggest the knowledge process-based models manifesting the circulation of knowledge as being a more practical approach to KM implementation.

This paper takes the implementation-oriented approach further, and modifies and integrates the fundamental aspects of KM advocated in these models resulting in the creation of an integrated KM model that renders a practical framework for the broad knowledge processes across the organization. The essence of the proposed integrated model are the knowledge activities permeating an organization, which are categorized in terms of the cyclic knowledge processes of creation, organization, dissemination, and use of knowledge. These processes traverse the segregated structure of an enterprise.

The Guru-Shishya Process for Radiating Knowledge in Organizations

Edwina Pio, Knowledge and Process Management, Volume 12, Issue 4, 2005, Pages 278 - 287

India is increasingly becoming a destination for organizations seeking to remain profitable in an intensely competitive international environment. This paper intermeshes the ancient Eastern Guru-Shishya or revered teacher-pupil process. This Eastern process, based on evidence from three labor intensive organizations in India, is described and analyzed, along with the results. The paper contributes to knowledge and process management in organizations by tapping into ancient values as the source for embedding both knowledge sharing and knowledge production. In addition, this paper adds to the managerial discourse on developing countries, and is particularly useful for organizations wishing to engage with, or already doing business in India.



Are Emerging Economies Less Efficient? Performance Persistence and the Impact of Business Group Affiliation

Aya Chacar and Balagopal Vissa, Strategic Management Journal, Volume 26, Issue 10, 2005, Pages 933 - 946

By drawing a theoretical distinction between superior and poor performance, the authors reconcile the conflicting predictions of the revisionist and accepted views on the persistence of firm performance in emerging economies. Using a sample of manufacturing firms in the United States and India, the authors show that superior firm performance in emerging economies persists only as much as developed economies in line with the revisionist argument. They also provide evidence consistent with the accepted view that poor firm performance persists longer in emerging economies compared to developed economies.

Further exploration of the latter shows that, contrary to

predictions of extant theories, firms in emerging economies that are affiliated with an MNC or a business group have a greater persistence of poor performance than firms that are unaffiliated with these intermediate governance structures, and hence would be better off operating at arm's length.

Gendered selves and identities of information technology professionals in Global Software Organizations in India

Marisa D'Mello, Information Technology for Development, Forthcoming in 2006
Available Online: <http://www3.interscience.wiley.com>

Global software organization (GSOs) are a recent form of work settings where Information Technology (IT) professionals engage in information and communication technology (ICT) mediated software development work for businesses across the globe. Issues of self, identity, and gender are linked to particularities of GSOs as a work setting. Using an interpretative, ethnographic approach, empirical data from a case study in India was analyzed to understand how gender was expressed in GSOs and linked to the concepts of self and identity of IT workers. Data suggests that GSOs are a global work setting where local issues of gender reflect social arrangements in Indian society. These arrangements have implications for GSOs as a work setting, for software development work, as well as for the selves and identities of IT workers.

Integrated Project Evaluation and Selection Using Multiple-attribute Decision-making Technique

Prasanta Kumar Dey, International Journal of Production Economics, Forthcoming
Available online: [Sciencedirect.com](http://www.sciencedirect.com)

The evaluation and selection of industrial projects before investment decision is customarily done using marketing, technical and financial information. Subsequently, assessments of environmental and social impact are carried out to satisfy statutory agencies. But, thanks to strict environment regulations in developed and developing countries, often the assessment will suggest alternate options. This causes considerable delay in completing project feasibility analysis and selection, since the project requires statutory approval.

Analysis through above process often results in sub-optimal projects as financial analysis may eliminate better options, as environment friendly alternative is always cost intensive. In such circumstances, this study proposes a decision support system, which analyses projects with respect to market, technicalities, and social and environmental impact in an integrated framework using analytic hierarchy process, a multiple-attribute decision-making technique. Apart from reducing duration of project evaluation and selection, this also helps in selecting optimal project for sustainable development of the organization. This methodology has been successfully applied to a cross-country oil pipeline project in India.

Compiled by Rohtas Kumar

Management is all about common sense

At 38, Manoj Shirodhkar, Country Director of Herbalife International India, a direct selling company, has achieved what most managers would only dream of. Here, he shares some secrets of his success.



There is a thin line between self-esteem and ego. And also there is very little difference between confidence and over-confidence. One needs to understand the difference to be successful.

Management is all about common sense. First, you should be sensitive towards any problem. Often, the problem is not visible to the naked eye. You have to feel the problem and once you identify it, you have to use common sense to find a solution.

Although my basic profile is in operations, I had the opportunity to involve myself in marketing, logistics and planning all through my career. This has given me a good grasp of how organizations function.

My stint at Goodlass Nerolac was a training ground, where I was involved in planning capacity requirement. In the initial years, I worked closely with my CEO and thus understood how a CEO thinks. This experience has made me look at any business issue in a larger perspective. When I moved to Balsara, I interacted with C&F agents and transporters. That exposed me to the other side as well. I could use this experience at Herbalife.

At Herbalife, a direct selling company, I had to face two issues. First of all, in India we operate from more than two centers, unlike in other countries. So we had to change our module for India to suit these working conditions. Secondly, in direct selling we deal with individual distributors who are not employees of the company. So it's a people oriented, emotional business, unlike in FMCG business.

When I took over three years ago as Country Director for India, the scenario was quite grim. The first thing was to get the employees to realize that there is a future for Herbalife. At that point of time, taking the company from an operation-focused firm to a marketing-based firm was the biggest challenge. So,

my first job was to change the mindset of the employees. I wanted the employees to be proactive rather than be reactive to the distributors, and be sensitive to their needs. In 2003, there was no growth and distributors were looking for someone to lead them.

I divided operations into four regions and made the respective regional heads interact with the regional leaders. We started addressing key issues of distributors and giving them specific targets. By 2004, we were able to launch market promotions and make distributors use various sales and promotional tools to their advantage. This created a momentum and in the same year, we grew by 30 percent. For the first time we also went ahead with media campaigns.

Now, we are focusing on building a brand image and communicating Herbalife's business opportunity. In 2005, we started a helpline, the Nutraspeak, where experts give tips and answer queries on nutrition. We also enhanced our training modules for distributors. One of our major tools for being in touch with distributors, the newsletter, was given a new look and we called it *Connect*.

The number of distributors, when I took over, was 16,000, which has today grown to 30,000. Also, retention rates have doubled. But, I would say, we are yet to see the effect of all that we have done till now. The impact will be visible only in the next one or two years.

Inspiring myself

I am a self-starter and self-motivated. I always look forward to doing something new each day. And I am very customer-focused. TQM training in the early days of my career helped me develop this mind set. I have set a pattern of questioning myself, "Why am I doing it this way? Is it the right way? Is there a better way of doing it?" That way I have been able to enhance my personal and company's performance.

I believe in learning daily and preparing to face challenges. When I took over Herbalife, I had no idea about nutrition. So, I read voraciously about our products. I have been a reserved person. But for this job, I had to interact more and more with the distributors, make them feel confident about a Country Director, who is approachable and supportive. I had to transform myself from an introvert to an extrovert person.

Finally, there is a thin line between self-esteem and ego. And also there is very little difference between confidence and over-confidence. One needs to understand the difference to be successful. Whenever I face a challenge, I always say: "let me give it my best shot". So, when I took over Herbalife, I gave myself three years. Today, I can proudly claim that I have been very successful in this job.

How Madura Garments grooms its CFO

Hemchandra Javeri, President, Madura Garments, has a unique management philosophy. All functional heads, including the CFO, are given a business development responsibility with bottom line and revenue targets. The idea is to allow all of them to develop and grow.

Our group, the Aditya Birla Group, attaches importance to good corporate governance. Apart from this, we are focused on values like integrity, speed and commitment to run the business.

Our own and allied workforce, that comprises 450 plus office staff and nearly 3000 workers, are mostly below 35 years of age. They are young, passionate and have “complete disregard” for systems. Now, this is the biggest challenge to the CFO and to me.

A CFO’s role has undergone wide changes, of late, particularly with some important developments overseas. The financial crisis in East Asia and Enron scandal have thrown up new challenges resulting in an increased focus on corporate governance.

A CFO’s role today incorporates a bigger, broader role, which also includes strategy. Another important feature we have witnessed is globalization. And personally, I believe money is the cheapest resource today. So the cost of capital is extremely low in an overall business sense. Hence, the role of a CFO has moved into what else he/she can do in adding value to the business vis-à-vis doing money-management. So even when the CEO continues to drive the ship, the board in particular tends to look at the CFO for answers, for trust and for good corporate governance.

To me, my CFO must be a “Best friend”. I spend large parts of my official time with my CFO and HR. That speaks for itself as the importance I attach to the role of CFO. Clearly, it’s not an easy role. Since, you have to balance between the heads of various departments at the same time be responsible for good corporate governance and still be a team player.

To me, the biggest role of a CFO is in preparing the strategic plan. For this, he has to be a strategist himself. His other roles include sourcing finance, thereby optimizing cost of capital, risk-management, and sound finance control.

In our business, it’s important to be a technology leader. Retailing is in its nascency in India. Though the company has an IT head, our CFO plays a big role in bringing the latest

financial technologies to the table. He is a big player in our meetings. He prepares the templates for discussion. So, at the monthly executive meetings, he comes with a set of financial variables and strategic dimensions for discussion. Otherwise, his daily routine is audit, accounts, MIS, etc., and a lot of what we call proactive planning.

The marketing and sales department have no problem with the role played by the CFO in the company. He is a strong team player so the others are not threatened by his presence and the other functional heads are also good team players. Thanks to the business role he plays, he understands the problems faced by the others.

We are a “customer-first” company. Because of this DNA, we have reduced claims processing time from 45 days to one week. Believe me, that one effort has transformed the way customers see Madura Garments. Today, we have a referral rate of 4.1 on a scale of 5. This is one acid test of what our CFO and the finance team is able to achieve.

Our CFO, apart from his functional role is also the head of our accessories business. He has a bottom line and revenue target on these initiatives. Our head of HR handles all retail initiatives in one particular

bucket – he has accountability too. Other staff functions also have direct business responsibilities like our CTO has responsibility for our B2C and web-based initiatives. We offer opportunities for everyone to widen their horizons for growth.

Having said this, the CFO does not take a pricing decision. He and his team only help the brand head in taking the final decision in pricing. The responsibility of risk-management rests with me. The CFO works towards bringing about awareness of risk-management, defining the facets of risks that exist in the business. Our biggest challenge in the company is everyone is so passionate about their work and their views, that it becomes difficult to close a discussion!

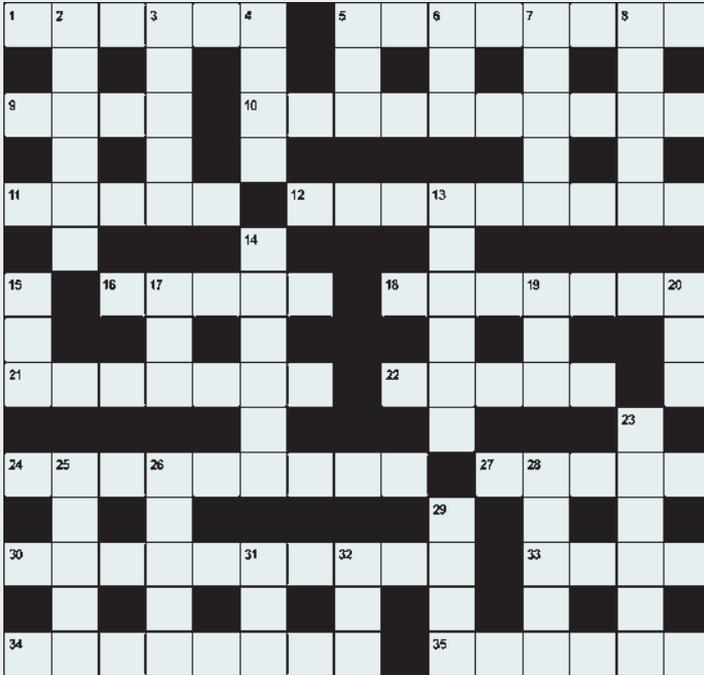


Hemchandra Javeri

The marketing and sales department have no problem with the bigger role played by the CFO in the company. He is a strong team player so the others are not threatened by his presence and all our functional heads are Team players. Thanks to the business role he plays, he understands the problems faced by the others.

Excerpts from a talk by Hemchandra Javeri at a CFO meet organized by CII in Bangalore in November 2005

ManagementNext CROSSWORD - 10



Across:

- 1 Ford's new car in India (6)
- 5 An Indian multinational company! (8)
- 9 Swift's tagline: "you're the ____" (4)
- 10 Henry Mintzberg is well known for his mantra on this (10)
- 11 World famous High IQ Society (5)
- 12 Peter Drucker's autobiography: "Adventures of a _____" (9)
- 16 This TV brand failed to do well here (5)
- 18 Popular Indian branded jewellery (7)
- 21 The crocodile logo is a trademark of this clothing line (7)
- 22 What you score when you are out for no run!! (1,4)
- 24 The multinational bank that acquired the Grindlays bank (9)
- 27 Color Plus makes the famous 7 day _____ (5)
- 30 Acer's popular laptop brand (10)
- 33 The place for infotech education? (4)
- 34 HLL pioneered the power brand _____ in India (8)
- 35 Express yourself with this mobile provider (6)

Down:

- 2 The software companion to the iPOD (6)
- 3 Most shops will announce these during festivals (5)
- 4 Dabur's flagship hair oil brand (4)
- 5 A type of computer display standard (acronym) (3)
- 6 Grey hair is often concealed with this! (3)
- 7 Sony had one of the earliest JVs in the TV market with this company (5)
- 8 Mediterranean fruit whose oil is considered a healthy cooking medium (5)
- 13 _____ matlab Coca Cola!!! (6)
- 14 The most successful wristwatch of all time (6)

- 15 India's biggest IT hardware company (3)
- 17 The place to go to get your driving license (3)
- 19 The World Bank's private equity lender (3)
- 20 ____ Vadis: Bata's flagship sandal brand (3)
- 23 Intel _____! (6)
- 25 Such cards are used to predict the future (5)
- 26 Leading international brand of skin care products (5)
- 28 What LG is to South Korea, this company is to China (5)
- 29 _____ Bharat Mahaan! (4)
- 31 ____ Cooper (3)
- 32 ____ Baby: the album that the Big B used to reinvent himself (3)

Solution to Crossword No. 9

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| T | | I | | A | | | A | | | E | | A | | A | |
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Compiled by RaviNarayan Raghupathi



Steve Jobs' creative secrets



By Robin Sharma

Jobs spent some formative time in India. He studied with sages. He visited meditation retreats. He pondered life's big questions.

I've been hearing a lot about Apple CEO Steve Jobs lately – his winning ways with the iPod, his transformation of Apple, his achievements with film studio Pixar. He's a pretty interesting guy, from what I can gather. Brilliant. Driven. Passionate. He's also a philosopher.

Jobs spent some formative time in India. He studied with sages. He visited meditation retreats. He pondered life's big questions. Speaking of questions, I've heard there's one in particular that he asks himself every time he faces a big decision or choice point in his life: "What would I do if this was the last night of my life?" I love it.

No one on their deathbed ever regretted the risks that they took. The place of least security is in the security zone.

To live a big life, it's essential that you take calculated risks – often. Without daring, there can be no winning. Steve Jobs met his wife that way. He was giving a speech at a university and spotted her in the audience. He met her after the event and wanted to take her to dinner – but he

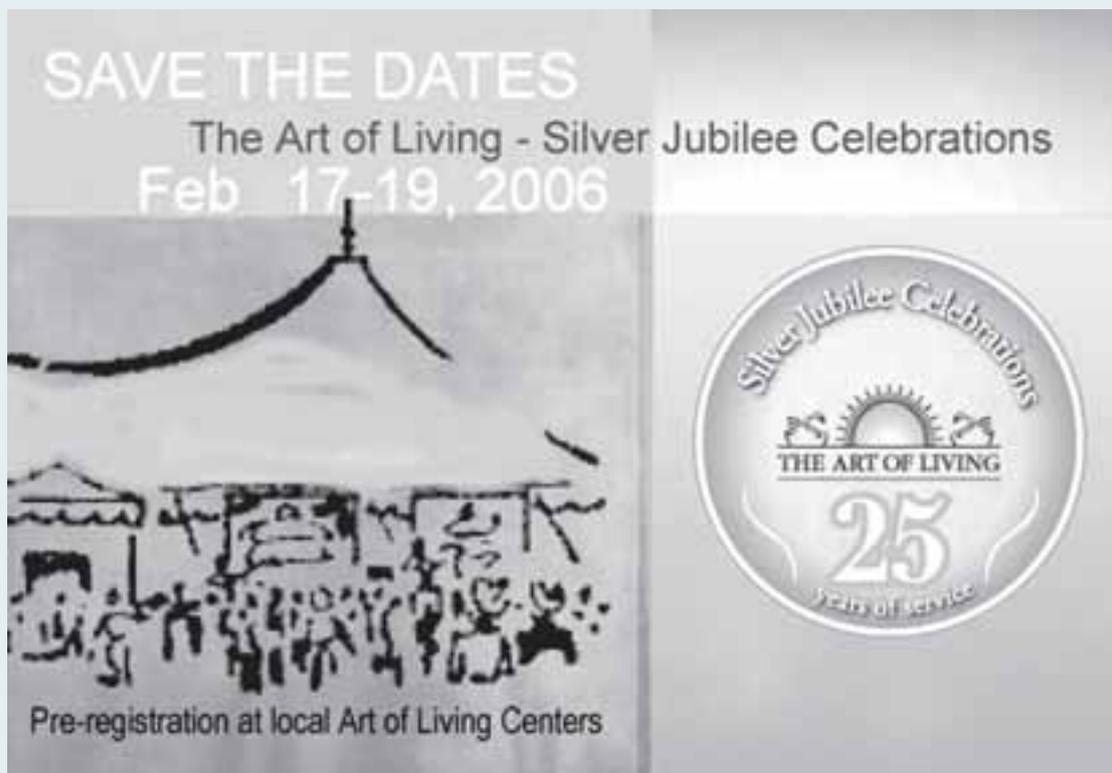
had a business meeting. As he walked to his car, he asked himself: "if this was the last night of my life, what would I do?" He ran back to the auditorium and found her. They've been together ever since.

This is a great time to reflect. You are leaving one year and welcoming in another. Go deep. Reflect on what you have not done because fear got in the way. Think about how quickly life is passing and what needs to get done so you feel you played your best game as a human being. And then walk out into the world – and shine. We'll all be better off once you do.

Dream. Dare. Shine.

Robin S. Sharma, is an internationally known speaker and corporate trainer. His latest book is the top-selling motivational fable The Monk Who Sold His Ferrari. Visit his site www.robinsharma.com

To purchase "The Life Mastery System" a perfect way to make 2006 your best year log on to www.robinsharma.com



☺ Drucker was beaten by the Web

Strange are the ways of ranking of top management gurus. For example, in 2002 Accenture's Institute of Strategic Change tied one Robert Reich with Tom Peters and two places ahead of Peter Drucker. Ironically, what got Reich Reich, the former Secretary of Labor in the Clinton administration, a social and economic policy professor at Brandeis University, author of several books, including *The Future of Success*, was the inclusion of a new criterion – number of hits on search engines.

“Peter Drucker is clearly a globally recognized business guru, but his ranking wasn't higher because he received fewer hits in non-business categories. On the other hand, I was surprised to see Reich's ranking, which I attribute to the fact that he scored high in both the business guru list and the public intellectuals list,” said Tom Davenport, author, magazine writer and business school professor.

☺ Business book from prison

The controversial Martha Stewart wrote her new book ‘The Martha Rules: 10 Essentials for Achieving Success as You Start, Grow, or Manage a Business’ from the prison.

Martha matter-of-factly reflects on her recent experiences in Alderson Federal Prison Camp and her conversations with fellow



inmates. Two of them approached her with a good, though perhaps impractical, idea for establishing a venture once they were released—complete with a business plan and sketches. This experience led Martha to offer a talk to other incarcerated women about the key elements of launching a business. It also led to this book: “I decided to write *The Martha Rules* as a practical and inspiring manual.” she said. Prison can sometimes bring out good in people.

☺ Helpful Cassandras

Andy Grove, Intel's former CEO, whom Tedlow profiles in a book due next fall, *The Life and Times of Andy Grove*. Tedlow calls Grove “America's greatest student and teacher of business,” and describes several key decisions that reveal Grove's brilliance at grasping profound changes in the business environment and steering the company's big bow into new waters.

Tedlow shows Grove was a hair's breadth away from making a catastrophic blunder—the temptation to abandon the traditional CISC chip architecture for the trendier and faster RISC technology. Grove emerged as an exemplary leader because he allowed two executives to talk him out of the decision. Observes

Tedlow: “Grove's MO as a leader has always been to depend on ‘helpful Cassandras’ to make sure that he doesn't win an argument he ought to lose.”

☺ Indian workers most happy



It appears fifteen years of economic reforms has brought cheers to corporate India's workers. Recently, global human capital consulting giant Watson Wyatt Worldwide conducted a study titled “WorkAsia” across Asia-Pacific countries and found Indians to be among the most satisfied in Asia. About 9,551 employees from 53 leading companies in India participated in this study representing an employee base of over 126,798 from 9 industries.

The most important find: in a number of key areas, Indian employees score much higher than their Asian counterparts across countries like Thailand, Korea, Malaysia and Philippines.

Consider these findings: In terms of commitment driven by job satisfaction, Indian employees have scored a full 20 points above the Asia Pacific norm. India also scored higher than the Asia Pacific norm on empowerment - more than 70% of employees agreed they received the necessary resources and could access information quickly to do their work effectively.

☺ Trainee's guts

A man joined a big multi-national company as a trainee. On his first day, he dialed the kitchen and shouted into the phone: “Get me a cup of coffee, quickly!” The voice from the other side responded: “You fool; you've dialed the wrong extension! Do you know who you're talking to?” “No” replied the trainee. “It's the Managing Director of the company, you idiot!” The trainee shouted back: “And do you know who you are talking to, you IDIOT?” “No!” replied the Managing Director angrily. “Thank God!” replied the trainee and put down the phone.

☺ Australian paradox

You thought Australians are the happiest of the lot? Well! You could be right, but there's a paradox you will have to contend with. David G Blanchflower and Andrew J Oswald have unearthed a paradox where according to the UN's Human Development Index (HDI) Australians are ranked third in the world but they also have the lowest levels of job satisfaction in the world. This is ironical considering the relaxed work culture there and the lively weekends they enjoy.

The Kangaroos also score poorly on a range of other happiness indicators. If you are curious to know more, download this paper titled: ‘Happiness and the Human Development Index: The Paradox of Australia’.

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