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## Integrating Stakeholders' Welfare and Corporate Success: In an Indian Family-Owned Organization (Interview with Chairperson and CEO of Tractors and Farm Equipment Ltd., Mallika Srinivasan)

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# **A Series on Values-Based Business and Stakeholders Management: *Case Studies and Interviews***

## ***Integrating Stakeholders' Welfare and Corporate Success in an Indian Family-Owned Organization***

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### **Introduction to the Interviewee**

Mallika Srinivasan is the Chairperson and Chief Executive Officer of Tractors and Farm Equipment Ltd. (TAFE), the second largest manufacturer of tractors in India and the third largest in the world (by volume), with its corporate headquarters located at Chennai, India. Winner of numerous awards including the *Economic Times* "Businesswoman of the Year 2006," and the *Forbes* "India Women Leader of the Year 2012," Mallika Srinivasan has always ranked among the most powerful businesswomen in the country. She is the first lady to have assumed the role of a President of the Madras Chamber of Commerce and Industry. She has been on the Governing Board of top academic institutions like the Indian School of Business, Hyderabad, and the Indian Institute of Technology, Chennai; and of top companies including Tata Steel and Tata Global Beverages Ltd. She has also served as the president of premier industrial bodies like the Tractor Manufacturers Association and the Madras Management Association.



Born on November 19, 1959, Mallika Sivasailam (maiden name) is the eldest daughter of industrialist A. Sivasailam, former chairman of the Amalgamations Group.<sup>1</sup> She completed her MA (Econometrics) from Madras University with a gold medal and graduated as a member of the Dean's Honor List from the Wharton School of Business, University of Pennsylvania, USA. She is married to Venu Srinivasan, Chairman and Managing Director, TVS Motor Company Ltd., a market leader in the two-wheeler industry in India. Her daughter, Lakshmi Venu, is the Joint Managing Director of Sundaram Clayton Ltd. Her son,

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<sup>1</sup> Started in 1938 by S. Anantharamkrishnan, the Amalgamations Group based at Chennai is one of India's largest Light Engineering Conglomerates involved in the design, development, and manufacture of diesel engines, automobile components, light engineering goods, plantations and services. It has 47 companies and 50 manufacturing plants with presence in manufacturing, trading and distribution, plantations, and services. More information on the Group can be accessed at: <http://amalgamationsgroup.co.in/group-profile.html>

Sudarshan Venu, is the Joint Managing Director of TVS Motor Company Ltd. Both of these companies are part of the USD 7 billion TVS Group.

In 1986, Mallika Srinivasan joined her family business as the General Manager of TAFE. Established in 1960, TAFE is a member of the Amalgamations Group. With an annual turnover of INR 93 billion (2014-15), it wields a 25% market share of the Indian tractor industry, and has annual sales of over 150,000 tractors (domestic and international). It started its production of the popular tractor model, Massey Ferguson 1035, in 1961. With a five decade-old collaboration with Massey Ferguson (now a part of AGCO Corporation, USA), one of the leading manufacturer of tractors in the world, TAFE is internationally reputed for its tractors and farm equipment under the TAFE Massey Ferguson and Eicher brands. It also manufactures diesel engines, transmission components, hydraulic pumps, panel instruments, engineering plastics, dies, tools, and batteries. TAFE tractors can be used in a variety of soil and weather conditions and are sold in over 75 countries across the globe including Europe and the Americas. Its products have earned a reputation for reliability, ruggedness, minimal maintenance, and low-fuel consumption. TAFE also has the unique distinction of developing compressor applications as well as application-specific tractors such as specialized tractors for vineyards and deep puddling in paddy cultivation. With six tractor plants, an engines plant, two (2) gears and transmission components plants, two (2) engineering plastics units, two (2) facilities for hydraulic pumps and cylinders and one (1) battery plant besides other facilities, TAFE employs over 2,500 engineers apart from a number of specialists in other disciplines. Its subsidiary companies include TAFE Engineering Plastics Division, TAFE Hydraulic Pump Division, TAFE Power Source Division, TAFE Gears Division, TAFE Access Ltd., and TAFE Access – Instrument Division.

In 1986, when Mallika Srinivasan first took over the responsibility of furthering the economic wealth of the business, the turnover at the company was INR 85 crores. Under the expert guidance of her father and the support of the team, she brought about major transformation in the organization. She converted TAFE into a highly technology-oriented company. TAFE, then a small part of Amalgamations Group, is now the Group's flagship company. With increased investments in research and development, TAFE introduced new models of tractors and other farm equipment almost annually, just as the car companies do. She focused on re-engineering its processes and invested heavily in enterprise resource planning (ERP). And it paid off. In 2010, the company posted a turnover of INR 4,850 crores and joined the USD 1 billion club. By selling 100,000 tractors in the same financial year, the company is among the three largest manufacturers of tractors in the world. In the last five years, the turnover and the sales volume have increased by 50%. It has also received the distinction of being India's largest exporter of tractors for many consecutive years. Besides, TAFE's tractor plants are certified under ISO 9001 and under ISO 14001 for their environment-friendly operations. In 2008, Business Standard awarded TAFE the "Star Award for Unlisted Companies" and in 2013, the Public Relations Council of India conferred TAFE with the "Corporate Citizen of the Year" award. For her noteworthy contribution to trade and industry, the President of India conferred the Padma Shri Award on Mallika Srinivasan in 2014.

As we'll see throughout the interview, Mallika Srinivasan brings in a fine balance of business acumen and a principled and humane approach to business. She has made an effort to increase the number of women engineers and workers in her factories, with a view

that diversity is an essential prerequisite for innovation.<sup>2</sup> In a tradition-bound industry, Mallika Srinivasan has been a new voice. Through her strong determination and commitment, she has slowly but steadily enabled her company to climb the ladder of success. In this interview, she shares how she successfully used modern management techniques in a family-owned organization. She details the very interesting “vision and core



values identification exercise” undertaken at TAFE, and how these principles keep the organization together as one cohesive unit. The core values at TAFE focus on satisfaction and welfare of each of the critical stakeholders of the organization.<sup>3</sup> She also shares as to how she was able to implement TAFE’s vision and core values in companies that were acquired by TAFE. Mallika elaborates on TAFE’s stakeholder — focused approach to business, and the methodology and processes used for the implementation of this approach. Her observations and personal experiences further

emphasize the view that stakeholder welfare and corporate success are intertwined and interdependent.

## The Interview

### **Q. In your opinion, what is the basic purpose of Business?**

*The purpose of business is to create wealth. You have to do that. But you do something that is more sustainable and something that is in total harmony with the environment that you are in. You are doing business not only for yourself, but you are also building an institution. You are providing livelihood and building lives of so many people. The welfare of so many people is dependent on the organization.*

### **Q. In his book, “Capitalism and Freedom,” Milton Friedman wrote, “... few trends could so thoroughly undermine the foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their shareholders as possible.” What is your opinion on this?**

*Earning money is very important as without that one cannot sustain the organization. You have to make fair profits. Profits are necessary to sustain the health of the individual, society, community, and others. But at the same time that alone cannot be the objective of business, because it is not sustainable. I say this not for some moral reason, but such an objective alone is not sustainable. Such a business which focuses only on one of the two aspects — profits or welfare — will not last long but will very quickly break down. There has to be a balance of both these. It can’t be others at your cost. It also can’t be you at others’ cost.*

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<sup>2</sup> Wharton Alumni Magazine, Spring 2007.

<sup>3</sup> TAFE’s vision and core values can be accessed at: [https://www.tafe.com/profile.php#vis\\_ion](https://www.tafe.com/profile.php#vis_ion).

## ***Formulating and Implementing the TAFE Vision***

### **Q. Can you share details on TAFE's envisioning exercise?**

*We have a fairly long history and a deeply-rooted culture. That culture has incorporated some of these aspects, and so we are not in a reactionary mode. In 1999, we decided that to enable our organization to move forward, we must attempt to put down the following:*

***i. What does our organization stand for?***

***ii. What is our core purpose?***

***iii. How do we plan our strategy by involving all our people?***

*There are people who have been working with this organization for a long period of time. We wanted to put down all our strengths and our weaknesses – more in terms of the good values that we hold and that we want to institutionalize. As we move forward, we don't want to change, but we want to strengthen the areas we need to work on. This was not a top-down exercise. We tried to capture the work done by the organization until then and what the organization stood for. This was because by the time I joined, we were already in the third generation.<sup>4</sup> So we put down a vision statement and a set of core values of the organization. This was done with the help of all the employees. All the employees above a particular level within the management hierarchy were involved in this exercise. We had workshops and we developed a common vision statement and a common core values statement.*

### **Q. Could you share the uniqueness of TAFE's vision and the core values that you have identified for your organization?**

*In our vision statement, we didn't say that we want to be the Number 1 Company or the most profitable company in the industry. Our people defined it as, "We want to be the farmer's first choice." We said that we want to do this by setting standards in performance and customer care. To supplement the vision statement, we put in the core values. The core values cover all the stakeholders. Firstly, we have customer satisfaction, then quality and products, then human resources, then proactive response to change, then we talk about trust and long-term relationships with stakeholders, and finally business ethics. This is not in order of any priority. The vision statement and the core values of the company are displayed in our offices and everyone knows them by heart.*

### **Q. How does TAFE actually implement this vision?**

*Our entire strategic planning process and the entire rolling over – i.e. the way the plan is built, developed and deployed – actually links up the vision statement, the values, and the actuals. The entire business plan of a three-year period (which is continuously reviewed) is derived from this vision and core values statement. From there we capture what our founders had stood for and our previous people had worked for, and we try to build on it looking at the future. That's our starting point. We are not under any external or internal pressure. We are constantly doing some work. The priorities have changed based on the external environment. You can say that we have done well in one area and we can do better in another area. We set new targets and new metrics to measure how we are doing and we do measure it. We split the things further down and then we measure it. A decade after the vision statement was formulated, we went back and discussed whether we should review the vision and the core values statement. The overwhelming response we got from our people was that the vision statement and core values are absolutely relevant in the current times and we should hold the same. So we continue to do so.*

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<sup>4</sup> Mallika Srinivasan is the granddaughter of S. Anantharamakrishnan (1905-1964), the founder of the Amalgamations Group, and the daughter of A. Sivasailam (1934-2011), Chairman of the Amalgamations Group of companies.

**Q. TAFE took over the tractor business of the Delhi-based Eicher Group in 2005.<sup>5</sup> Could you share how you ensured compatibility between your vision and their vision; your core values and theirs?**

*After taking over the tractor business from Eicher, the senior management at TAFE asked the first question, “Does this company (Eicher’s tractor arm) have a vision statement and a set of core values?” They didn’t have anything well-articulated. So we articulated it. Though the business part of it may have been different, we had very marginal changes from our original vision and core values statement. Between the two organizations, one is the subsidiary of the other and has the same line of business; there is a very close match on the values. That was the first step in bringing the congruence between the teams and we started propelling forward on the same basis. The integration work progressed very well after that. In fact, the seller (Eicher) was very particular that their firm should be given to another company which had similar core values. Eicher was very well known for its HR practices. So they wanted to sell the company to those who would value their employees. Secondly, they wanted their relationship with the dealers to be maintained in the long run. Thirdly, they wanted the buyer to have good ethical standards. These were the three reasons why they selected TAFE. So though there was a cultural fit, they had not articulated their values as well enough.*

*At TAFE, Corporate Stakeholders Management is fundamental to the organization’s philosophy, and is very much implemented in the organization. This is done not under pressure, but out of appreciation of its necessity and as a part of our organizational philosophy.*

### ***Balancing Profits with Stakeholder Welfare***

**Q. As you stated earlier, profit-making is essential for the success of any corporation. In your opinion, what are the factors that need to be considered while planning for profits?**

*Profits are important and if there are no profits, everything else is absolutely irrelevant. However, it is not that profits are to be made at the cost of everything else. It’s not profits at the cost of not providing a proper environment for the employees; it’s not profits at the cost of not treating your dealers<sup>6</sup> properly; it’s not your profits at the cost of everybody else’s profits. You are trying to build an institution, you are trying to build this network, and everybody should happily be a part of that network and happily participate in it. Everybody is in it for business gains also – someone for employment and someone for profits. It’s not your organization’s profits alone. It should be mutually beneficial and a win-win situation for all, whether it is with the collaborator, the dealer, or your suppliers. Just to make profits, you can’t squeeze out your suppliers!*

*So we attempt to create a sustainable organization. We are trying to create an institution which is going to grow, it’s going to create a difference in the marketplace that it works in; it’s going to make a difference to the lives of people associated with it. If you are really talking about a brand, your brand is built not just on advertising campaigns, but on all of these factors. When you are trying to build an institution, it can’t be profits at the cost of everything else. Such an approach is not sustainable.*

**Q. So how does one balance profit and stakeholder welfare?**

*Profit is not a dirty word. I always tell my employees<sup>7</sup> that we all should be happy that we are making good profits, and that I will push you until we get the best profits. However,*

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<sup>5</sup> With the takeover of Eicher Motor’s tractor business, TAFE became the second largest manufacturer of tractors in India.

<sup>6</sup> TAFE has a network of 1,000 dealers.

<sup>7</sup> TAFE was named the “Best Employer in India 2013” by Aon Hewitt.

that does not mean that it is profits through squeezing everybody else. You can create profits through efficiency, through productivity, and through better product offerings. It is not profits at the cost of all human values being sacrificed. That's the nice thing about India and makes it a little bit different. That's what makes Corporate Social Responsibility (CSR) initiatives in India different. The genuine feeling of making a difference to the society and environment around you is much better in Indian companies. That's a purely personal opinion. I have also observed that younger people in my organization are very willing to participate in CSR activities and willing to give their time and energy.

So, it has to be a win-win situation with all your stakeholders, because [it is] only then that a sustainable model such as this will thrive. It's a network and all people working together should be working in harmony and cooperation. Only then the growth can be positive and sustainable.

### **Leadership Approach in a Stakeholders-focused Organization**

#### **Q. In your opinion what are the critical success factors (CSFs) for a CEO?**

According to me, the CSFs for an organization in my industry category would be:

##### **i. Balancing all stakeholders:**

Let me take an example to explain this. There is a competitor organization of ours which has an extremely successful and profitable business. For five years, their growth was unprecedented. Even when the industry was down, they were growing. Profits were also growing and everyone in the industry was saying that they have the best profits in the industry. However, the banks were really upset with them. They told the company that though you are profitable, the letters of assurance you have given us (that your dealers be given loans) are not being respected. Those dealers are not making payments. So the organization's credibility with the banks was severely affected. So now, that company giving a letter to a bank has no value for the bank! The company did not want to give credit to the dealers and so they gave letters to the banks and the banks gave the dealers the finance. So they got their money. But later profits dropped drastically. They were giving the dealers new tractors only when the customers were paying the dealers. Till then, they kept on appointing new dealers. So the dealers were going bust one after the other and new dealers were appointed continuously. At the end of the day, there was no interest for the welfare of the dealers and the bankers. So it's not about profitability alone. It's very important to balance the interests of all stakeholders.



##### **ii. Building trust and credibility in all the partners:**

We have to ensure that all our partners trust us. It's not just enough saying, "We trust you." This is seen through a series of actions. The trust has to be at the individual level and for the organization as a whole. They should believe that the organization will do what it says it will do. That's the key. So the whole thing is built on trust. The credibility that you enjoy

*in the market only brings that trust. The salesman, who is just 6 months into the organization, has to represent the company and stand for all that the company stands for. It's hard but it's very important. So building credibility with all the people you interact with, at all levels, is really critical. Today, the CEO's responsibility is to build credibility. In our business, it has made a huge difference.*

**Q. In your experience, what are the core values of an organization with a stakeholders-focused approach?**

*The core values of a stakeholders-focused organization would be:*

**i. Trust and Transparency:**

*At TAFE, we have a culture where for generations we have built relationships. We have relationships with our dealers for three to four generations. Trust and transparency must be there in all relationships, whether they be dealers, suppliers, or bankers.*

**ii. Culture of Fairness and Justice:**

*You must not only be fair, but you need to be seen as fair. Not only should you be fair, but people also should perceive that you are fair in your dealings and transactions.*

**iii. Approachable grievance mechanism for all the stakeholders:**

*There needs to be a grievance handling and redressal mechanism. People should feel that if I have a problem, I know where I can go and get my problem addressed. It could be the employees or even the neighbour who could call.*

**Q. Could you share an anecdote to elaborate on any of the core values that you have highlighted?**

*Once a neighbor called up saying, "The bushes in your compound have really overgrown. Your corporate office is in the midst of a residential area and so you please tell your folks to do the needful. I was thinking whether to raise it at your level. But since I know you, I thought I should call you." Subsequently we got the bushes cleaned up. So there has to be some redressal mechanism at my level or at another level. After we cleaned up, the neighbor who had complained was most grateful because she felt that her children were safer (from possible threat of snakes). I felt that my people could have done this even without me telling them. But I felt happy that at least the neighbors felt that they can call somebody in the company and tell us their problem.*

*The dealers may call and say that you are taking our territory away. You need not get angry at such feedback. But there must be some grievance mechanism which they can use to approach us. Some organizations have gone to the extent of having ombudsmen in the organization. We have not gone to that extent. Ours is a more informal way of handling the complaints. Through the ombudsmen mechanism, anyone can complain to the ombudsmen and the ombudsman responds on behalf of the organization. These ombudsmen are many times outsiders who are appointed for this task.*

*Thus in my opinion, the grievance handling should be for all the stakeholders. Typically, organizations have these for the end customers and the shareholders. I have seen many times at international levels that the company will take the entire profits and will not allow their customers or distribution chain to make any money at all. We tell them that if you allow us to have this revenue generation, it will help promote your product better. But they won't see the logic at all. They are totally unconcerned about any grievance-handling. It created such an issue that the brand was losing out. Though we knew the organization and people well, the organization was not fair, nor did they have any grievance-handling mechanism. So we decided to change our line to another company whose way of handling their line is so brilliant that it is responsive, it has human values, and it takes care of the profitability of the partner.*



## ***Implementing a Stakeholders-focused Approach in an Organization***

**Q. The vision statement and core values of TAFE highlight its focus towards each of its stakeholders. What methodology does the company follow in order to achieve these?**

*We don't take the organizational stakeholders separately. We take the core values. From the core values, we take the business objectives and say that these are the Critical Success Factors (CSFs) for the business. We have a planning methodology. We map out from the core values. For example, customer satisfaction – what are the various things we need to do to help us achieve that customer satisfaction and achieve that vision statement? We have a brainstorming session and we put all the links in place and plan for the current year and the subsequent one. We link the values with the CSFs and for each of the CSFs we create a project. We take cross-functional projects. For example – we want to build our customers' satisfaction. We identify what we want to do for achieving each of those core values.*

*Under the core value of “long-term relationship with stakeholders,” we do the same thing. We take each of the stakeholders and identify what we want to do for each of them, what they will expect from us, how would we like to build this relationship. We leverage our strengths and overcome our weaknesses. So we make these into CSF projects which are cross-functional projects. It could be within one function, or across functions. Then we have a metric based on which we measure that project. If it is not possible to measure the project quantitatively, then we have a plan – 3W1H format which everyone knows about. We have a traffic light system, which will tell us whether the plan is on track, is it slow, does it need to be reviewed? The project leader has to take care of that and report back on it every month. Thus, the CSF project is implemented through the year. There are also rolling plans for the subsequent year and thereafter. At the end of the year, we review the plan and include into the picture the environment changes, structural changes in the industry, competition factors, etc. So it becomes a part of our normal work. There is no separate group managing it. That part of the organization which is dealing with those specific stakeholders, will head those specific CSF projects.*

*For example:*

- *Bank-related projects will be headed by the finance section;*
- *Government-related projects will be handled by the corporate affairs section;*
- *Customer-related projects will cut across different sections such as research & development, manufacturing, and marketing;*
- *Supplier-related projects will be led by the manufacturing section.*

*There was one project on “vendor engagement” where we wanted to build longer term relationships with the vendors. We discussed with them about the parameters on which we can build this relationship. We wanted to ensure that they also make money and so do we; they are also certain about the business and we are too. So we defined the project under the core value and put it under the regular project schedule. The best CSF projects are awarded as well.*

**Q. While you have shared the methodology adopted for customers, dealers, and vendors, could you share how TAFE takes care of the society and local community?**

*The society as a stakeholder is handled a little differently by us. There are some projects we have attempted to do as a group because we feel that if we do it as one single company, we would not be able to create the same impact and would not be able to do as much. So as a whole group (Amalgamations Group) we do some common projects together. All our bigger projects are handled together. So the school, the hospital, the Kalyan Mandapam*

(community hall), biotech centre, etc. are handled as a group project. From our company profits, we give a separate amount to this group which is handling this group CSR projects.

**Q. What are the projects that TAFE as a company is undertaking for the society and local community?**

At the company level, we want to do something which can add a lot of value. Since we are dealing with farmers, we handle all farmer-related issues at the company level. For example, for the farmers who are our customers, we have a free portal and we give free advice. We have certain agricultural scientists. The farmers can log onto the portal and they find there, advice available for all crops. If there are any questions, the scientists answer them. We have a 200-acre farm where we bring them for training and extension services. We also do adaptive research for new seeds. We give them to the farmers and don't charge for it. It's all value-added services for our customers (who are farmers). Periodically we have the Farmers' Festival. The festival has details about farm practices, improvement of productivity, how to earn more from the farms, etc. A small part is also on mechanization. This is different from the fairs where we promote products. This is all anchored out of the J Farm initiative.<sup>8</sup> All training on diverse aspects relating to agriculture, and crop research on mango, rice, groundnut, etc. is done here for the farmers. Anything relating to farming is done within the company under a special budget. Anything which is beyond the farmers' part is done at the group level because we feel that we don't have the competence to carry it out at the company level. Resources will also be better utilized if we carry out such initiatives at the group level. So we handle those projects under the group charities. As a result, the quality of work doesn't get diluted, and we get optimal use of resources. If we do larger social initiatives at a group level, we get the benefit of scale and it also creates a bond between the group companies.

**Q. Among the many initiatives that you have tried to sustain a culture focused on stakeholders' welfare at TAFE, which have been the most difficult to implement?**

The most difficult thing is to get goal congruence and values congruence across the organization and to implement it. It is a little easier to implement this in a family business. It gets inculcated if you have the same family members running the business in the length of time. But constantly there would be conflicts when you try to bring about the congruence.

**Example: Performance Appraisal of a Retiring Employee**

I can share an example with respect to a performance appraisal issue with an employee who had served the company all his life. This particular employee had his entire career with us. He had come to the age of retirement. Since he was an old employee, we all knew him personally and also how good he is. This was his last performance appraisal. What we do in our annual performance appraisal is that we normalize the appraisals. Everyone would rate the others as very good. But then we have brackets of x% as excellent and y% as very good, z% as good and some others as not so good and poor. This employee's boss normalized the curve and he was not getting the correct balance. So he thought that this man is retiring, so we can put him in one grade below and so he pushed him into the "satisfactory" grade and normalized it. After doing so, he had exactly the right percentages. We are very tough with the normalization as there is money going with the

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<sup>8</sup> In the agriculture research area, TAFE has been a pioneer in establishing its own adaptive research facility at J Farm, near Chennai. This 500-acre farm has built a national and international reputation for adaptive research in various crops such as paddy, vegetable, and mango cultivated under marginal rain-fed areas. It serves as an extension service to farmers advising them on appropriate and cost-effective agricultural practices through media releases and through the closed community portal [jfarmindia.com](http://jfarmindia.com) which covers about 82 different crops grown in the Indian sub-continent. More details about the J Farm initiative of TAFE can be accessed at: [www.jfarmindia.com](http://www.jfarmindia.com).

grading also. When he got his performance appraisal as “satisfactory,” this particular employee was very upset. In 30 years, he had never sought time with me. However, after getting his appraisal, he came to me and said, “In 30 years I have never been rated ‘satisfactory.’ Why should I be rated so in the year in which I am leaving?” When I investigated, I found that this normalization was the reason for his rating. Then we said normalizing or no normalizing, this person should get what he deserves. So we made the manager change it to what he felt this man deserved. He admitted that he had just normalized it and hence this employee’s rating had been lower than what he actually deserved. We told him to call this employee, tell him why he had rated him like that, tell him his correct rating and set the equation back with him. The employee didn’t want an extension which we give for 1 or 2 years as he was very upset. But when the rating was corrected, the employee accepted his extension. So you do get such conflicts.

There are similar conflicts with dealers, suppliers, and labor as well. All such conflicts keep coming – some business issues, some cultural issues and luckily no religious issues. There is no set answer. But these examples give some idea about how we go about doing things when these conflicts arise.

**Q. While adopting regulatory and legal requirements, what are the actual difficulties you face while implementing them in letter and spirit?**

It does happen many times that we have to do many things just to meet the letter of the law. Sometimes the cost of abiding by the law is too heavy. The customer will not pay for it. So at least the letter of the law must be met. If you want to meet in full spirit, it may be different, but that’s a practical reality. If it’s emission, we will 100% meet it. All law, we will meet. From a business perspective, we don’t attempt to do more than what the law demands, unless that is a part of our differentiating strategy like safety or fuel economy. If you ask me whether we do more than what the law requires, it depends on the positioning of the product, what returns we will get for it, whether it’s going to pay off, or whether it’s a CSR plank we want to take as a whole strategy. In such cases, we would do better than what the law demands. But meeting the law we will do under all circumstances.

**Q. At TAFE, what are the criteria used at the time of evaluating R&D projects?**

We have a very streamlined approach for R&D<sup>9</sup> and new products development. We follow the QFD (Quality Function Deployment)<sup>10</sup> and the Stage Gate Methodology.<sup>11</sup> We take the voice of the customer and then capture it in the technical format, feeding in all the manufacturing constraints, the costs, the suppliers, the return on investment (ROI), legislation, environment, safety, intellectual property rights (IPR), and many other parameters. Among these, environment, safety and IPR requirements, we have to meet. If you want to put safety as the main plank for your product, then you can put some extra

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<sup>9</sup> TAFE’s R&D facilities are renowned for their innovative design and engineering expertise. They have been recognized by the Department of Scientific and Industrial Research, Government of India.

<sup>10</sup> Quality Function Deployment (QFD) is a “method to transform user demands into design quality, to deploy the functions forming quality, and to deploy methods for achieving the design quality into subsystems and component parts, and ultimately to specific elements of the manufacturing process” as described by Dr. Yoji Akao, who originally developed QFD in Japan in 1966, when the author combined his work in quality assurance and quality control points with function deployment used in value engineering. QFD helps transform customer needs into engineering characteristics for a product or service, prioritizing each product or service characteristic while simultaneously setting development targets for product or service. The technique yields graphs and matrices.

<sup>11</sup> The Stage-Gate Product Innovation process is a carefully designed business process – the result of the world’s most comprehensive research into understanding what discriminates product success and failure. Pioneered and developed by Dr. Robert G. Cooper, it is the world’s most widely implemented and trusted product innovation process. A Stage-Gate Process is a conceptual and operational roadmap for moving a new-product project from idea to launch. Stage-Gate divides the effort into distinct stages separated by management decision gates. Cross-functional teams must successfully complete a prescribed set of related cross-functional tasks in each stage prior to obtaining management approval to proceed to the next stage of product development.

emphasis on safety. In our case, we have chosen to go with fuel economy, operating costs, and productivity. After the voice of the customer, we go through a series of steps and then make a business case which attempts to capture all these parameters. If the business case doesn't get through, we have to go back and recast the project. After the business case stage is cleared, it becomes an approved project.

### ***Sustaining a Stakeholders-focused Culture in an Organization***

**Q. You are the third generation from your family in this organization. In your experience, how can this organizational culture be continued in the face of changing leadership?**

*This is a big challenge. The rate at which turnover is happening now in organizations, it is more of a challenge than before. We are trying to address this through a few initiatives. We are trying to promote the concept of "Value Champion." For this we have competitions, quizzes, and many such things. In our training program also, we first teach everybody the vision and the value statement. Every formal meeting is started with the statement of the vision and values. In the meeting, anybody can be called upon to state the vision and values of TAFE. We have even developed the vision into a song written by our own people. We have it in Hindi (India's national language) and in Tamil (the state language where TAFE office and manufacturing units are located). Every formal meeting or conference starts with the "TAFE Anthem" as we call it. Then we do the value champions program. We feel that these values won't get institutionalized until we demonstrate its application. The value champions come and share some of the conflicts they have had while implementing these values through live examples of the company and how they overcame/resolved it. But the best way to institutionalize these values is through consistent practice.*

**Q. Has there been an instance of a values conflict within the organization with respect to employees?**

#### ***Example: Dealing with Ethical Issues with the Senior Plant Management***

*Many years ago, we had tractors missing from the factory and we didn't even know about it. The police reported to us that two tractors of the company were found. Then we tracked it and realized that it was a system failure. We didn't have enough proof whether there was any corruption involved. So we couldn't trace the culprit. So we called everybody and spoke to them as to what's gone wrong in the system. This included the General Manager (GM) of the plant. We even changed the people. But we didn't sack anybody. Three weeks later we found materials going out, and the security this time said that he wouldn't send the materials out without the paperwork. There was no paperwork. So the security people called the Materials Head and asked him about the details. The Materials Head wrote on a piece of paper that the materials can be moved. The security again questioned as to why the details could not be put in a formal way through the SAP system. The security said that he wouldn't let it go. He called the GM of the plant who said that the issue should be handled at the local level. The store's people then said that the GM and the Materials Head specifically instructed them to load the materials and move it out. It was done perhaps with the intention of showing less inventory. Then the store's people wrote all the details and gave it to us saying that the GM of the plant and the Materials Head gave us specific instructions to load this material without paperwork and move it out. What do you do in such a case?*

*So we called them and said,*

*"We don't have the proof that you did this thing, but it is certainly a systems failure and there is no doubt about it. From the senior-most levels, you have violated all the systems because you wanted to meet your performance objective in terms of inventory. And this entire junior staff has come up with written details about your instructions to them. We*

*give you time. You find yourself another job and you resign. We will give you references and we will do all that it takes. We will give you full notice, you stay home, you can cash your leave and all that, but you need to go. Two incidents – one after the other – cannot be pardoned.”*

*The result of this action was that the organization was extremely pleased. The response at the plant was excellent because the organization walked the talk. The DGM was made the GM of the plant. We appointed a new Materials Head. The employee morale was much better. It's a tough call. We gave the benefit of the doubt in the first case. However, action has to be taken at some point of time.*

**Q. Mahatma Gandhi advocated the concept of Trusteeship wherein every individual is a trustee or a custodian of the wealth (s)he owns and the wealth has to be used to the extent possible for the welfare of all. This philosophy is common to all major world religions. Do you think this approach to Trusteeship is applicable in a family-owned business organization?**

*From a family business perspective, I can say that when a leader does not act as a trustee, all the problems in a family business begin. If you don't act as a trustee, that stakeholder group whom you call as the shareholders; their expectations are not getting met. In any case, the business is not your alone, there are 10 shareholders there. They have put their trust in you to run the business. I think the reason why all the family businesses are breaking down is this. You have to take a view in terms of what is good for the organization, what's good for the employees, customers and even from a social perspective and nobody will disagree with you. But if you start thinking that you are the only shareholder because you are running the business and you see only your interest and not the interests of the other shareholders, then you are really not working on this concept of trusteeship. You have to be very clear. You are representing all the shareholders. You are nominated as the family's representative there and you have to act as a trustee. What you are doing is building wealth, but building wealth for all and not only for yourself. The other ten shareholders may not have the power, but the wealth belongs to all. You have the power to run the business, but you owe your responsibility to the other shareholders. The wealth belongs to everybody. When you try to take away a large chunk of the business and its profits, that's when the family business breaks down. So you are absolutely right that whoever is running the business is a trustee and a trustee only.*

*I came across a family business in Kenya where there were 65 members as part of this family business and the head of the business was saying that they have taken this concept of trusteeship to such an extent that you cannot even cash your shares. If you are in, you get your salary, perks and other things, but you must build wealth. But if you want to be out, you will get compensated at a very nominal level. That's the level to which they have taken the concept of trusteeship. I am not saying that we should take it to that extreme. If somebody wants to get out, you give them a fair value and let them go. But if there are ten people and you are running the business on their behalf, you have to do what is in the interest of all of them.*

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### **About the Interviewer/Author**

Dr. Shashank Shah is an author and researcher in the area of Corporate Responsibility and Stakeholder Management Strategy and has contributed immensely to the field through original ideas and pioneering analyses. He completed his post-graduate studies in

Business Management, and doctoral and post-doctoral research in Corporate Stakeholders Management at Sri Sathya Sai Institute of Higher Learning (SSSIHL), India and his graduate studies in Commerce from University of Mumbai, India. He received the Association of Indian Management Scholars International Outstanding Doctoral Management Student Award 2010 for his doctoral thesis at the Indian Institute of Management, Ahmedabad, in 2011; and the H.R. College Golden Alumnus Award 2011 for his research achievements from the Sheriff of Mumbai. He was awarded the President of India Gold Medal and the Governor's Gold Medal for standing first in the MBA and M.Phil. Programs.

He has published over 75 research-based papers, case studies, and technical notes in peer-reviewed national and international journals in the areas of Stakeholders Management, Corporate Responsibility, Corporate Governance, Business Ethics, Integral Education, and Humanized Healthcare through Harvard Business School, Sage, Emerald, and Macmillan Publications among others. He has also co-authored four books and two monographs in these areas. His *Soulful Corporations:*



*A Values-Based Perspective on Corporate Social Responsibility* was published by Springer in 2013 as part of the India Studies on Business and Economics Series. He has presented research papers at international conferences at Harvard University, USA, and INSEAD, France; and has been invited to present his work at institutions in Italy, Brazil, Turkey, Malaysia, Japan, and India.

In 2011, Dr. Shah was a Visiting Scholar at the Centre for Corporate Social Responsibility (CSR), Copenhagen Business School, Denmark. He has been an Invited Research Faculty at Executive Development Programmes in CSR organized by the Harvard University South Asia Institute, World Bank, and the Govt. of India; and by the School of Management, Indian Institute of Technology Bombay. He is a Fellow, *European Institute of Spirituality in Economics and Society* (SPES); International Advisory and Editorial Board Member, *Journal of Values-Based Leadership*, Valparaiso University, USA; and Reviewer, *Journal of Human Values* (Sage Publications) and *Journal of Management, Religion and Spirituality* (Taylor and Francis Publications). He has taught graduate courses on Marketing, Total Quality Management, and Indian Ethos and Values; and graduate and doctoral courses on Research Methods in Social Sciences.

During his doctoral and postdoctoral tenures, he interviewed over 175 top executives, heads of companies, industry captains, academics, subject experts and policy makers, and built a veritable knowledge base of insights in the field of Stakeholders Management and Corporate Responsibility of a collective experience of 3,500 human years.

Currently, Dr. Shashank Shah is a Visiting Scholar in Corporate Responsibility at Harvard Business School; and has a joint appointment as Project Director and Post-Doctoral Fellow at Harvard University South Asia Institute (SAI), USA. He is also writing two books on: Stakeholders Management Strategy in Indian Corporations; and Corporate Responsibility at the Tata Group of Companies, accepted for publication by one among the big four international publishers. He can be contacted at: [shashankishah@gmail.com](mailto:shashankishah@gmail.com).