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PAST NEAR PERFECT, FUTURE NOT TENSE



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Leadership is not a derivative of the office one holds, but what one adds to growth and governance in the organisation. In this newsletter, we acknowledge the imprint of three phenomenal leaders, while raising a few questions.

The departure of a CEO/Chairperson ordinarily gets a brief mention, which occupies a few column centimetres of space in the business newspapers. Rarely is the event considered important enough to remain in the news thereafter.

However when 3 CEOs/ Chairpersons, who have been, in the public mind, completely identified with their companies, decide to hang up their boots, everyone in the ecosystem sits up and takes notice. These are not persons who did no more than what was expected of them, and on completion of their terms, chose to ride into the sunset. These are the architects, and the visionaries, that left behind them, companies that are thought of as the standard bearers in their domain, and in the ecosystem, that they are a part of.

The year that is winding to a close saw Mr AM Naik, Mr Deepak Parekh and Mr Uday Kotak bidding goodbye to, or moving into a new role in, the organisations that they led with considerable dexterity, competence and commitment. Let me begin with Mr AM Naik. In an era when CVs get updated, and new jobs are sought when an employee is a year or two into the organisation, it is inconceivable that a person could have been with the same organisation without a break for almost 60 years. Most of his working days were 14-15 hours each. Tributes are certainly due, and must be paid, unstintingly. The object of this newsletter is, in addition to joining in the applause, to ask a few questions that long, seemingly indefinite, tenures at the top can perhaps give rise to.

Joining at the junior-most level in the organisation, Mr Naik after overcoming several challenges, and courageously and successfully resisting two takeover bids, rose to the top, and stayed there for a number of years. It was only to be expected that he would mould the company in the shape that he chose to. While such an approach might have several positives, especially when the company succeeds, it is entirely possible that a long serving CEO might overlook some of the structural and functional constraints that the company grapples with on a continuing basis. While several companies have benefitted from the complete identification of the CEO with the company, it is useful to reflect on the question whether, in the process, some objectivity in the decision-making process might possibly have been impacted. This is no reflection on the individual concerned, but a theoretical question that needs to be addressed.

Mr Deepak Parekh stepped down from the highest position in the HDFC, while facilitating its merger with the HDFC Bank. In a manner of speaking, he and the housing behemoth decided to go into history at the same time. This was an organisation that was not just the leader, but the representative face, of housing finance in the country for several decades. It was the default option for persons seeking loans to put a roof over their heads. In course of time, some banks and some other institutions sought to carve out a place for themselves in this domain, but there was no doubt whatsoever in anyone's mind that HDFC was miles ahead of competition. Mr Parekh's long innings at the helm also throws up a few questions, the first of which is whether in such a context, the contribution of other senior leaders tends to get marginalised in the public mind. Both Mr Naik and Mr Parekh shared their thoughts with the stakeholders through the medium of "address to shareholders", as also interviews in the business newspapers.

The third among those that had a high profile stepping down is Mr Uday Kotak, the former CEO of Kotak Mahindra Bank. From the day he first discounted a bill of exchange in his nascent organisation, to growing and leading a bank, the pan India presence of which was described as "kone kone Kotak", he left his clear imprint on the financial sector. In the course of growing the bank and the other companies in the group, Uday Kotak did something which, at the time, challenged one's imagination. He bought out Goldman Sachs shortly after his contemporaries DSP and JM Financial exited their partnerships with Merrill Lynch and Morgan Stanley respectively. Uday saw a future for his company if it chose to go alone. Being present in the financial sector for several years, he decided that it was time to get a banking license. Thereafter, he has grown Kotal Mahindra Bank to being the fourth largest by market cap. He consciously chose not to be the Chairman, and was for several years, the Vice Chairman and MD, but in the public mind, the bank and the group has always been identified with him.

Clearly all these 3 leaders played productive and stroke filled innings. It is tempting to ask the question what might have happened if any of them stepped down long years before they actually did. Would the institution have functioned differently, or would subsequent leaders, overwhelmed by what had gone before them, continued on the same paths?

Kotak Mahindra Bank is to have a new CEO anytime soon. He is coming into the bank at the highest level, after having served in senior positions in two foreign banks. Prior to the announcement of his selection as the next CEO, there was intense speculation in the media on whether one of two insiders, who have held, and continue to hold, important positions in the bank, would succeed to the top job. At the theoretical level, the question that arises is whether continuity by appointing an insider to the top job would have served the organisation better than the induction of an acknowledged successful leader from the banking space outside of India. It is interesting to note that in his letter of resignation, dated September 01, 2023, addressed to the Chairman of the Board of Directors, Uday Kotak spoke of sequencing the process from a transition and stability perspective. He made this comment in the context of his premature exit, with the Chairman and his Joint Managing Director completing their terms shortly after he chose to step down. Are senior level exits likely to arise as a result of the "digital eagle" stooping down from foreign shores?

HDFC is a somewhat different story. With the institution having merged into the HDFC Bank, executive positions for those that held high office was no longer to be expected. One of them has been appointed on the bank's Board of Directors, but clearly Boards cannot accommodate too many other persons. Will the merger and acquisition that has given rise to India's largest private sector bank go through smoothly in the coming years, as the stresses and strains of different businesses and organisations with different cultures tend to affect the functioning of the composite unit? History has shown us that while the process of merger can be put through, the playing out of that merger is not free from obstacles that were anticipated, and in some cases, unanticipated. Even within the same promoter group, there could be different cultures in the component organisations, arising out of the manner in which the CEOs of those organisations chose to conduct their businesses. This is clearly an organisation of systemic importance, coming under the "too big to fail" category. Will it also be a case of too big to succeed?

The Larsen and Toubro story is completely different. For several years, Mr Naik had closely mentored and guided his identified successor, Mr SN Subrahmanyam. At the same time, he seemed to have entertained doubts from time to time on whether any one person could step into his shoes, and guide the destiny of all the businesses that constituted the L&T group. His early interviews were somewhat disquieting in that he publicly aired his concerns and reservations on this score. However, while leaving, he assured the shareholders, and other stakeholders, that the future of the company was in very safe hands, with his successor being both competent and committed to lead the organisation to greater heights. Interestingly, this large group has not, even for a moment, entertained the possibility that the CEO could come from outside the company.

Taken together, the mother question which arises is whether it is better to get a CEO from within the organisation, or to get someone who is a total stranger to the organisation, and is not a prisoner of the past. Contextually, the answer could be different for different entities. In the case of Kotak Mahindra Bank, it was perhaps necessary to bring in a leader from the outside to infuse a new dynamism, and challenge the organisation, more than any incumbent or an insider could ordinarily be expected to do. With digital being the flavour of today and tomorrow, getting a person, who was an early mover in bringing digital into the banking space, is clearly an inspired choice. Had L&T gone in for something similar, the consequences might perhaps have been disastrous. For a person from outside, to get to grips with all its businesses, and to reimagine some of them, could have been destabilising for the group, especially considering that several senior leaders in the group had earned their spurs in overcoming all manner of obstacles that were inherent in the nature of their businesses. In L&T's context, continuity was a clear winner over change. In the case of HDFC Bank, no change was necessary since its first Managing Director, who had served for more than 25 years, had left only the previous year. The challenge here is to get to grips with the size of the organisation, resulting from the merger, and the different kinds of products and customer segments that would have to be simultaneously addressed. The organisation would have to look at whether the bandwidth is adequate for growth on a sustained basis, and make itself a place that persons in the financial sector would be tempted to move into.

Organisations are more important than leaders, no matter how inspirational, or influential, the leader might have been. The primary requirement therefore is to put emotional baggage aside, and to provide contextually relevant leadership in changing times. As we thank these phenomenal leaders for their great contributions, it is appropriate to recall the wise words of Thomas Bailey:

“Conductors of great symphony orchestras do not play every musical instrument; yet through leadership, the ultimate production is an expressive and unified combination of tones.”



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