Thinking Smart

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Hiring and firing people, especially the core team that one surrounds oneself with, is the most important task for a leader.

No leader or hiring process is perfect. There will be mistakes in hiring that have to be rectified with firing.
In the absence if a fair process, even if the firing is a good decision, it will have a toxic effect on the rest of the organization.

In my opinion, the firing of Cyrus Mistry wasn't reflective of an organization that prides itself for its values.

In our strategy discussions at Tata's we thought hard about the role of the group center when our stakes I the operating companies was often less than 50 per cent

In a diversified conglomerate like Tata's, the group center can add value in three ways :
a. Optimize the portfolio
b. orchestrate greater synergies between the companies in the group and
c. Nurture the companies.

CEOs being fired is news, despite it not being a terribly uncommon occurrence. What made the firing of Cyrus Mistry so unusual was that the Tata Group had a history of only six chairmen over 148 years.

In general, the Tata group was renowned for its values, which did not encompass a hire and fire culture.

Once fired, you discover your friends and the integral qualities of those who worked with you. The interesting insight for me was the higher you go in the organization, this 'human' aspect declines. The people at the bottom of the pyramid treated me with the same respect and affection as always.

Csikszentmihalyi, in his brilliant book Flow noted that people who achieve happiness do. not regret the past, are reasonably satisfied with their lot in life and look to the future with optimism.

I place employees in two buckets, those who have a high availability of alternatives, who I dubbed free agents, versus those with low availability of alternatives, or prisoners in my terminology

Organizations are particularly susceptible to being populated by prisoners who believe they are free agents because it is hard to pinpoint how critical any individual is.

Over my career I have observed that most managers see themselves as prison wardens rather than viewing themselves as coaches of star teams.

Another way of looking at organization is insiders and outsiders. Insiders are those who have spent their entire career in the same organization, outsiders are those who have ben hired to bring in fresh ideas, competencies and blood into the organization.

A substantial proportion of insiders end up becoming prisoners.

Companies know that hiring an outsider has risks associated with it. No hiring process is perfect and some mistakes will be made either in judging the capabilities of the outsiders and their ability to fit in.

From a company's perspective the risk of hiring an outsider is only worth taking if the outsider is of substantially higher quality than the insiders available or brings along unique capabilities.

Insiders bring knowledge about how to work the levers. Outsiders have expertise. Insiders know that expertise gives more status than knowledge about working internal levers of power

- The need to bring an outsider is because the manager felt there was a competence gap internally.

  The personality of the outsider and humility plays a major role. The outsider must work on getting quick acceptance through demonstrated competence.

  Insiders do not want to be seen as lacking capability. They want to be appreciated for their loyalty. They might not be the best in the world, but they are the best inside the organization

Outsiders can say whatever they want. But people on the inside don't listen to them. Insiders, however get lots of and access to push their ideas. People-powerful people listen to what insiders have to say. Insiders also understand one unbreakable rule – they don't criticize other insiders.

Salary data is confidential in most companies. I disagree that salary data should be made public.

Revealing an organizations compensation data would be acceptable only if people had a realistic assessment of their own self worth and accurate perceptions of the value they bring to the organization. Unfortunately, most people are delusional on this front.

Gore Vidal said – 'it is not enough o win, others must lose'. And, that is why Pay transparency despite the best of intentions ill fail.

Attrition data in a company is meaningless without the associated performance data

If departing employees are poor performers, and the organization has labeled them as low potential when they joined , then there is a recruitment problem.

If the departing employees are poor performers but were classified as high potentials at entry time, then there is a problem with on boarding.

If departing employees are high performers, then one must accept that a certain number of high performers will leave.

If everyone is leaving, then of course there is a problem with both strategy and culture in the organization.

The best robots do one thing very well. China has 36 robots per 10,000 manufacturing employees, Germany has 292, Japan has 314 and South Korea 487 robots per 10,000 manufacturing jobs.

Artificial intelligence has now moved the focus from industrial robots working on pre programmed repetitive tasks in enclosed spaces to robots that can adapt to changing conditions.

Deep learning is machine learning algorithms that rely on an endless trial and error method to improve performance on a task.

With age, we must start questioning to what extent our experience matters. And, when and where?

Experience implies knowledge and an ability to do a job because of the learnings of the past. Experience may also imply rigidity and not keeping up with the latest techniques. Experience from a knowledge perspective is only relevant if it also implies continuous learning.

Youth implies creativity, energy, drive and ambition and a reckless 'go for it' attitude, no matter the odds.

Technology is changing our world and our relationship to it is dependent on our age.

The academic world is a high IQ world where people work alone for hours. Collaboration with colleagues is by choice. As a result faculty members tend to identify themselves more with the community of professors in their field rather than with the institution they are presently at.

Beyond research, teaching is also done at an individual level in a class. Faculty have a well deserved reputation for being loners and difficult to work with. In this sense, they are like artists.

The corporate world on the other hand works on teams, where collaboration and co-operation are key to achieving any outcome.

Is there too much talent in a team? Whether a team can have too much talent depends on the extent to which collaboration is needed or what we academics call high interdependence.

In some team sports like cricket and baseball co ordination between team members is minimal compared to football or hockey or basketball. So having more talent in a cricket team helps, while having more talent in football or basketball is detrimental after a point. There you need more collaboration to win.

Companies have strong methods to allocate cash to manage projects and portfolio, but have relatively poor models to allocate human capital.

Finding success in professional life is challenging. You are alone, competing vs others, many of whim are smarter than yourself.

If you are working with someone who is better tan yourself, then don't try to compete as you will lose. When the person says they are doing something, try not to get in the way. Always keep in mind that they are going on to bigger and better things

Cross cultural teams have greater insights into markets, enhanced credibility with global stakeholders and improved morale amongst employees.

Language is a large obstacle in achieving cultural diversity which is why Chinese, Japanese, German and Italian companies struggle compared to their American counterparts.

Conflict emerges when one party perceives its goals, values or opinions are being thwarted by an independent counter party.

Conflict is a result of competition spinning out of control

People in power need to pay attention to the emotions and concerns of others. They however pay more attention to their on goals and are les able to read the room.

It is lonely at the top, genuine friends are rare, sycophancy becomes ubiquitous and this isolation leads to hubris.

The role of a professor is not to tell people what to think but rather make them think and provide frameworks for how to think.

There is a big difference between having a healthy respect for a superior and a unhealthy slavish mentality

Disagree with your boss only if you are convinced you respect the boss. Disagree selectively. Disagree without undermining authority. Disagree without being disagreeable. Disagree without personal agenda.

My three decade experience taught me that branding is one area that does not attract the best talent. Branding people are neither analytically rigorous nor thoughtful.

Customer service usually involves interactions between employees and customers. Since human beings are involved, it is often mistakenly believed that there is no role for process.

Wal mart wishes to be friendly to customers. At Wal mart , friendly means , as every employee knows the ten foot rule. If a customer comes within ten feet of you, make eye contact ad smile, that's it.

Process helps deliver an average service, however when exceptional circumstances arise, then judgement is needed.

To become a CEO , competence is the price of entry. It is assumed that he/she is competent. What really matters is judgement

In social media, the consumer feels he/she is in charge when in effect they are influenced by their friends.

Research now demonstrates that in companies less than 10 per cent of time is spent on discussing marketing at a board level.

With its focus on advertising, branding and promotion, marketing seems tactical than strategic.

Marketeers must become more financially driven, they need to lead strategic transformation projects. Digital will help them do that.

The biggest myth is that there is big data. Big data is nothing but a combination of small data from multiple sources.

Data in itself has no value. It is only a cost till it is married with analytics to extract actionable information.

For marketers to exploit big data, they must learn to love with ambiguity. Rather than seeking more data, the technology and understanding of how to use the data available is perhaps more important.

Measuring marketing performance is a continuing source of frustration for companies and marketers. With digital marketing, the effectiveness measurement of marketing expenditures has become easier.

Private equity makes for an easy target. Much of this is self inflicted thanks to the large compensation of PE executives. They work on the 2-20 model. 2 per cent management fee on assets and 20 per cent on returns over a hurdle rate.

It is important to remember that PE is in the repair business. They take over companies they believe are poorly managed.

PEs uncompromising attention to profitability has seeped into large public corporations where single digit topline growth now leas to double digit profit growth because of a control o costs.

Conglomerates were in fashion till the 1970s, when Michael Jensen, professor and Nobel prize winner observed that they suffer from unproductive capital expenditures. Since then conglomerates have a 10-15 % discount than. The sum of its parts, referred as the penalty that markets impose on diversified multi division enterprises.

I have always believed that luxury as a business is a waste of time. There is no 'real' money to be made in it.

Luxury businesses have poor cost and operational discipline.

China is becoming so large that every multinational needs a china strategy.

Managers have a body of knowledge and that constrains their learning. They have a difficult time thinking outside the box and do not know how to learn from failure.

Failures are acceptable, provides. You don't bet the company, you don't make the same mistake twice and you learn something useful for yourself and the organization.

Learning for yourself is one thing, but to learn for the organization requires sharing of failed experiences.

In the mid 1880, the concept of retirement age and pensions emerged in UA and Europe. Around 1890, the German government offered to provide pensions for citizens who lived over the age of seventy.

Retirement age must now be thought of in relation to life expectancy.