

Headline: Honesty is the best corporate policy

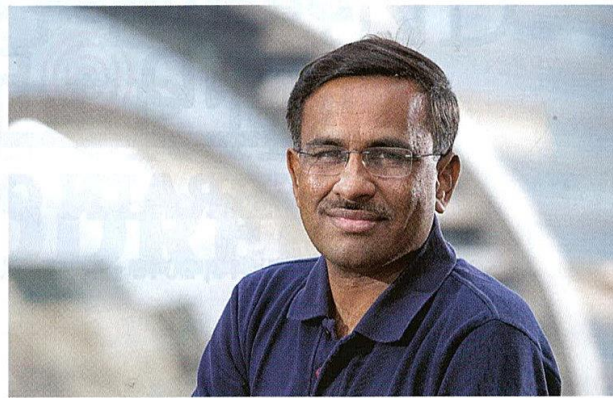
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The Best Management Lesson I Learnt

'Honesty Is the Best Corporate Policy'

Building a bond of trust between all stakeholders, be it employees, clients or investors, helps tide over crises and generate goodwill.



PHOTOGRAPH BY RAGHIT GOSWAMI

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Being honest, transparent, and building trust with all stakeholders is the best corporate policy, and something that I have always followed. It helps the leader in difficult situations, and tackles those dark periods of uncertainty that loom over businesses from time to time. Much earlier in my career, I learnt that when honesty and transparency become a part of organisational culture, it becomes a disposition with a trickle-down effect. Above all, it builds a bond of trust

between all the stakeholders, be it employees, clients, vendors, partners or investors.

A leader is the custodian of an organisation. He should develop and nurture talent and position his team for success. I believe in the spirit of stewardship, in leaving behind an organisation that is substantially better than what was inherited.

There comes a time when every organisation has to face hard truths. It could either be delivering lower-than-expected results or bearing the brunt of a bad decision. It is not uncommon to see organisations sweep negative news under the carpet. Quick remedial measures to solve a problem, before it becomes public, don't work. Truths cannot be hidden and, once known, can cause greater damage if not disclosed in a transparent manner.

Honesty becomes a critical partner while managing a crisis. In the last organisation that I worked for, there came a time when asset quality issues arose. We

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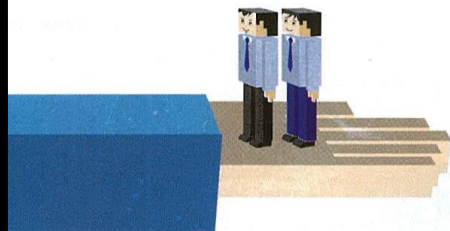
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communicated these issues honestly and transparently to all the stakeholders. We neither denied their existence nor discounted the truth, which is unfortunately seen as a practice that makes stakeholders suspicious. We also gave shareholders a detailed plan of the corrective actions, and executed them in letter and spirit. Our strategy comforted stakeholders, who were already stressed due to difficult market conditions.

The trademark of a resilient organisation lies in its ability to recognise problems. Denial never yields solutions. However, accepting the truth and speaking about it requires a lot of courage. Honesty and trans-

parency puts leaders through trying phases, but like every hard taskmaster, they also help generate tremendous credibility and goodwill.

Dual Role for the NSE: As India's premier exchange, NSE wears many hats. As a front-line regulator and a key stakeholder in market development, NSE works closely with the government and the regulator. At certain times, we have to provide advice on matters that may have short-term negative implications on the business. However, it is important to always focus on the long term and recommend and



implement what's in the best interest of the economy, markets and investors. That is the only way we can be a trusted advisor to government and the regulators. Fundamentally, what is in the long term interests of markets will be in the interests of the market ecosystem and all institutions associated with the markets.

Clear and balanced risks: Clarity of thought and direction is important for leaders to guide the organisation and encourage risk-taking ability. There is no generic formula to achieve this, but an organisation must take prudent risks with full understanding of impact. Of course, one should possess the necessary plans and strategies to mitigate risks.

A leader should build a culture of prudent risk-taking amongst employees, and nurture it. If one were to be too risk-averse, an organisation would never innovate, and hence under-deliver on potential. If one were to be too aggressive in risk taking, it might cause untoward damage. An organisation's risk-management framework should have a certain amount of tolerance for failure, though mistakes should not be oft-repeated. People should be allowed to take calibrated risks and fail, fast.

The organisation I worked for earlier, decided to make an entry into a new business. We acquired an asset management company. At the time of the acquisition, we had paid a price which seemed to be expensive for its size. But, we decided that the business can grow into the valuation over the medium term. As expected, in a few years, the business scaled up to deliver value for shareholders, which was much higher than the acquisition price.

Not shaken, nor stirred: Leaders, I have learnt, should possess an ability to absorb pressure. This ability is crucial, especially when organisations are undergoing a period of stress and experiencing crisis. I have seen leaders who pass on their pressure to others by reacting in certain ways that are not productive. This never yields results. Employees who are under pressure either end up making more mistakes or look for short-term fixes to a problem that would possibly lift the burden off their shoulders quickly. This does

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not result in solving issues in the long term.

Leaders, no doubt, are in the direct line of fire during a crisis. To overcome it in a manner that has positive long-term implications can be extremely challenging. In spite of the pressure, the right kinds of leaders do remain calm; they recognise issues without a clouded vision and work with employees to come up with solutions. A leader should put his or her employees at ease, and encourage them to be honest and communicate bad news quickly without fear. To be able to gain the trust and loyalty of employees, a

leader has to build an open channel of communication from the very beginning.

Conflict management is yet another challenging area. Conflicts are a part of life and there is no way to avoid them. The last organisation I worked for saw enormous growth during my tenure. When I started, it had less than 100 employees, ₹200 crore profit, and a net worth of ₹1,200 crore. Over the next decade, the group employed over 3,000 professionals, with ₹1,800 crore profits and a net worth of ₹15,000 crore. From being a single business company, it grew into a financial conglomerate which handled all aspects of financial services. With two acquisitions and two new lines of business, the company grew organically and inorganically. Successful integration of its varied workforce ensured that the mergers yielded results.

As an organisation scales up, spreading a common culture becomes critical. To draw high performance from employees, leaders should focus on collaboration and open communication, creating a sense of ownership by involving employees in decision-making. An open and transparent channel of communication should exist between employees and management. Employees find it easier to trust a leader who walks the talk, and holds himself to high standards. Trust comes from years of honouring commitments.

A leader's tenor should boost an organisation's stature. I hope to influence and inspire everyone I work with, so that we can build an institution that truly endures, and stands the test of time. **BT**